GOVERNMENT OF INDIA.

DEPARTMENT OF FINANCE AND COMMERCE.

FINANCIAL STATEMENT

FOR

1887-88.

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FINANCIAL STATEMENT for 1887-88.

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FINANCIAL STATEMENT for 1887-88.

Accounts, 1885-86.

1. The Accounts for the year 1885-86 correspond very closely with the figures of the Revised Estimates given in the Financial Statement for last year. The deficit in that year was then calculated at £2,890,800; the actual figure as now finally shewn in the Accounts is £2,801,726.

Revenue Estimates, 1886-87.

2. The Revenue Estimates for the year 1886-87 have not in any material degree been modified by the results of the year. It will be seen from figures furnished in a later page of this Statement that the revenue taken in the Revised Estimates of 1886-87 exceeds that shewn in the Budget Statement of the same year by £273,000.

Expenditure Estimates; 1886-87.

3. The Estimates of Expenditure have been disturbed by two causes which, at the time they were under preparation, were known to threaten uncertainty, but in other respects they are borne out by the result shown in the Revised Estimates. There has been a greater charge on the expenditure side than was provided under the head of Exchange, the difference being £474,600; and events in Upper Burma have compelled the Government to maintain a strong force there throughout the year, and to carry out the active operations necessary to secure and preserve order. The extra cost on this head for the year 1886-87 may be put at £860,000. The combined excess expenditure under these two heads during the year 1886-87 for which the Government has had to make provision amounts to £1,334,600.

Enumeration of questions of importance under consideration during 1886-87.

4. The revision of the engagements with Provincial Governments has occupied the attention of the Government during the year. The five-year contracts with the Provincial Governments, which expire on 31st March 1887, have been renewed, during the year now closing, with the assistance of the Finance Committee. In the renewal of these contracts opportunity has been taken to submit the revenue and expenditure of the several Local Governments to the scrutiny to which the Government of India has subjected departments subordinate to itself. The matter is fully dealt with in the following pages; but it may be stated here that, after allotting to Provincial Governments the sums necessary for the services assigned to them, the revenues of the Government of India through the re-arrangement of the Provincial Contracts have been strengthened by a maximum sum of £640,100, though in the ensuing year the amount taken on the estimates is, for reasons which will be explained, £490,000 only. The Finance Committee's recommendations, and those of Sir Charles Elliott and his colleagues who were appointed when the Finance Committee had separated to carry to a conclusion certain inquiries, will for a considerable time continue to occupy the attention of the Government, extending as they do to a variety of subjects, and dealing with them in great detail. It is impossible to estimate at present what the net result may be of the decisions ultimately to be taken by the Government on the various suggestions of the Finance Committee; to whom, meanwhile, the Government is greatly indebted for their discharge of the task entrusted to them. The yield of the Income Tax during the year is taken in the Revised Estimates at £1,348,100 against £1,458,100, the figure entered in the Budget Estimates. Measures have come into force during the year for carrying into effect what is known as Article III of the Chefoo Convention. By that Article opium entering the treaty ports in China will in future pay a consolidated sum of taels 110 per picul, and

will be free of all the further inland duties known as lekin, instead of paying, as hitherto, 30 taels per picul duty, and whatever lekin might be imposed upon it in the course of its transit inland. The Convention came into force on February 1st, and is now in full vigour.

Estimates, 1887-88.

5. Turning to the ensuing year and taking as a guide the results shewn in the Estimates of the closing year, we find that the main points in the revenues and expenditure of the year which is commencing may be thus summarised. An addition has been made to Imperial revenues of £490,000 by the revision of the Provincial Contracts; but of this, £400,000 was anticipated in the receipts of 1886-87 in the form of contributions from certain Local Governments. A further sum of £256,300 has been taken as the estimated increase in the revenue of Upper Burma, and £625,600 has been added to the Railway revenue; a net total of £971,900 on the revenue side, to which must be added an item of £359,100 explained in paragraph 18 as taken on exchange; on the Expenditure side this is balanced by the additional charge of £285,400 in the expenditure necessary for Upper Burma and by £781,300 increased railway expenditure, debitable to revenue. Provision is made in the Estimates of 1887-88 for £344,984 for giving further effect to the increase to the effective strength of the army, decided upon in 1885-86. The excess of revenue on the above accounts is nearly the same as the excess of expenditure.

Taxation not proposed

6. These remarks exhibit the main results of the past year, and the general outcome of the anticipations for the coming year. It may be added here that, in view of the causes which have led to an increase of expenditure, and to the other considerations which present themselves in connection with the financial situation, it is not the intention of the Government to add to existing taxation. The growth of expenditure in the Estimates of 1886-87 and 1887-88 arises in part from war charges and in part from a further fall in the exchange; and the Government is of opinion that it would be undesirable to seek to meet the deficit at present arising from these causes by the imposition of further burdens. The attention of Her Majesty's Government has, during the year now closing, been turned to the difficulties caused to the Government of India by the fall in silver, and the question of gold and silver currency has been submitted to a Royal Commission, the result of whose deliberations must be awaited. The present military expenditure in Upper Burma is of a temporary nature; and although considerable sums must be expended during the next two or three years in opening up communications in Upper Burma, and in providing the public buildings necessary for the accommodation of the garrison and for the conduct of business, it may be expected that with the return of order the revenues of Upper Burma will expand; and that its resources will become in an increasing degree available. For the present, therefore, until the outcome of present difficulties is seen more clearly, the Government considers that in providing for the necessary expenditure arising from its administrative needs, it should avail itself of resources which, in times of surplus, are assigned from its revenues to the construction of railways or to the diminution of the amount which it borrows annually for railways. Having thus indicated the outlines of the financial situation of the two years, 1886-87 and 1887-88, I proceed to a statement of the results shewn on the accounts of 1885-86, the Revised Estimates of 1886-87, and the Estimates of 1887-88, and of the measures to which the Government has had recourse in order to maintain equilibrium.

Accounts of 1885-86.

7. In the last Financial Statement the Revised Estimates of 1885-86 were given as Revenue, £73,598,100; Expenditure, £76,488,900; Deficit, £2,890,800. The Accounts closely correspond with the above result, and are—

	£
Receipts	74,464,197
Expenditure	77,265,923
Deficit	2,801,726

The deficit, as explained last year, was entirely due to the excess expenditure caused by the military preparations of the year, in anticipation of war, to increased political expenditure, and to the cost of the expedition to Burma. There is nothing in the Accounts which calls at this late date for further explanation. *Results of Accounts, 1885-86.*

8. As the Budget provided for a surplus of £646,600, the final result was worse than the Budget by £3,448,300. The main items of this difference were as follows:—

	Better+.	Worse—.
Imperial—		
Opium	...	661,000
Delimitation Commission, Rawalpindi Durbar, and Political subsidies	...	412,900
Army—Quetta Force	...	2,116,500
„ Burma Expedition	...	604,900
Exchange	...	709,700
Railway Revenue Account	789,600	...
Reduction of Expenditure under Buildings and Roads	278,500	...
TOTAL	1,068,100	4,505,000
Net worse	...	3,436,900

Full explanation was given in the Financial Statement of 1886-87 under each of the above heads.

9. The Budget Estimates for 1886-87 were Revenue £75,798,700; Expenditure, £75,616,500; the estimated surplus was therefore £182,200. On the Revised Estimates for that year, after taking from the Famine Insurance Grant, as explained in paragraphs 68 *et seq.*, the amount necessary to obtain equilibrium the figures stand: *Results of Revised Estimates, 1886-87.*

	£
Revenue	76,071,700
Expenditure	76,071,200
Surplus	500

10. The Estimates of 1886-87 have been very materially modified during the course of the year, and the result above arrived at is due, as will be seen, to the adoption of measures which were not contemplated when the Estimates for the year were framed. Excess expenditure on account of military operations in Burma, to the amount of £860,000, was incurred during the course of the year. The Civil Estimates for Upper Burma were increased by £289,300, mainly on account of Police. Opium gave £328,700 less; the charge on account of exchange was increased by £474,600. There were other items of increased expenditure of less importance, but the total of the four items above enumerated amounts to £1,952,600. *Items of Excess Expenditure.*

11. The Revenues in the Revised Estimate, on the other hand, amounted to £76,071,700, against £75,798,700 taken in the Estimates, or an excess of £273,000 only. The following table shews the causes of difference between the Budget Estimates of 1886-87, and the Revised Estimates as now presented. As shewn in the foot-note of the Statement on page 53, the final result is reduced from a surplus of £182,200 to one of £500 only, a deterioration of £181,700. The details of this are shown in the difference columns of the statement, but they may be grouped as follows:—

	Better.	Worse.	
	£	£	
Decrease of Imperial Revenue	...	63,400	Total worse 181,700.
Increase of Imperial Expenditure	...	118,300	
Increase of Provincial Revenue	336,400	...	
Increase of Provincial Expenditure / Alteration of Provincial Adjustment	...	336,400	

The two last entries necessarily counterbalance, as an improvement or deterioration in the Provincial accounts merely increases or diminishes the Estimate of the Provincial balances left at their credit at the end of the year.

12. The minuter details of the four amounts last stated will be seen from the following statement, the Imperial columns being those with which we are immediately concerned. Explanations regarding the more important differences will be found at a later page :—

Revised Estimate, 1886-87, compared with Budget Estimate, 1886-87.

	Revenue.		Expenditure.	
	Imperial. Increase + Decrease—.	Provincial and Local. Increase + Decrease—.	Imperial. Increase + Decrease—.	Provincial and Local. Increase + Decrease—.
	£	£	£	£
Revenue Heads—				
Land Revenue	—290,200	+140,400	—74,300	+500
Opium	—328,700	...	+134,000	...
Salt	+156,400	—4,300	—7,300	—6,300
Stamps	+10,400	+16,300	—2,000	+4,300
Excise	+63,300	+67,500	+5,700	+5,800
Other Heads	—132,700	+48,200	—13,000	+69,000
Interest	—6,200	+1,400	—32,700	—200
Post Office, Telegraph, and Mint	+62,500	—1,200	—38,100	—2,500
Civil Departments	+8,400	+11,100	+356,700	—102,000
Miscellaneous	+45,800	+11,600	—106,600	—10,100
Famine Relief	...	...	—1,049,000	—400
Construction of Railways	...	..	...	+78,700
Railway Revenue Account	+247,500	+44,400	—185,100	—30,300
Irrigation	—20,900	—5,900	+34,700	+9,100
Buildings and Roads	+2,300	+6,900	—46,000	—77,300
Army Services	+45,700	...	+780,300	...
Provincial Adjustments	...	...	...	+398,100
English Account—Sterling	+52,700	...	—139,900	...
Exchange (at 1-5½)	+26,300	...	+500,900	...
Total	—63,400	+336,400	+118,300	+336,400

13. It is explained in the course of this Statement that the Government had before it, in connection both with the year 1886-87 and 1887-88, the alternatives of deficit, fresh taxation, or temporarily withholding of the grant from Revenue to railways, and reduction of debt, under the head of Famine Insurance. For reasons which will be presently given, the latter step having been determined upon, the sum of £1,049,400 thereby made available to meet other expenditure has obviated deficit. Explanation will be given hereafter of the main items of difference between the Budget and the Revised Estimates of the year 1886-87; but these remarks will sufficiently shew what were the chief causes of unforeseen disturbance, and what is the character of the measures by the aid of which it has been decided to cope with them.

Temporary suspension of Famine Insurance Railway Grant.

14. The Estimates for the ensuing year, in which again equilibrium has been obtained by means of the surplus revenues otherwise assignable to the Famine Insurance Grant, are: *Results of Budget Estimates, 1887-88.*

	£
Revenue	77,460,200
Expenditure	77,443,500
Surplus	16,700

15. Compared with the Revised Estimates of the present year the receipts are £1,388,500 and the expenditure £1,372,300 in excess. If we take the Estimates in detail, the main items of increase of revenue under the several heads such as Railways are balanced by corresponding increase of expenditure. In the same way the increase in the revenues in Upper Burma nearly meets the increase of expenditure on account of the combined military and civil expenditure in that province. The net charge in the Estimates of 1887-88 under this head amounts to £1,770,500 distributed over charges in respect of Collection, Law and Justice, Police, Marine, Civil and Military Works, and Army, as against £1,741,400 in the Revised Estimates of 1886-87. The excess of expenditure over revenue on account of Upper Burma in the Estimates of 1887-88 will be seen from the following figures:— *Excess expenditure, Upper Burma.*

Upper Burma Receipts—	£	Upper Burma Expenditure—	£
Revenue Heads	551,600	Police	737,000
Public Works Receipts	2,100	Other Civil Charges	321,200
		Irrigation Works	24,000
	553,700	Civil Works	156,000
		Military Works	300,000
(Revised Estimate, 1886-87	£297,400)	Extra Army Charges	720,000
		Marine ditto	66,000
			2,324,200
		(Revised Estimate, 1886-87	£2,038,800)

16. An additional charge of £344,984 is included in the Estimates of 1887-88 under Army, being the sum provided to meet increased expenditure consequent on the prosecution of the measures for increasing the strength of the army determined on in 1885. The total estimate under Army is, however, only £126,400 in excess of last year, owing to a diminution in the military charges for Upper Burma in 1887-88 as compared with the present year. After deducting the contribution of £400,000 last year, there is a further net gain of £90,000 under various heads in connection with the revision of the Provincial Contracts. Minor items of increase in receipts or decrease in expenditure bring about the balance of the Budget which is shewn on the Estimates: as will be seen from the statement below. *Army.* *Gain on Provincial Contracts.*

17. The Budget Estimates for 1887-88 work out to a surplus of £16,700 or £16,200 more than the Revised Estimates of 1886-87. The detail of this is as follows:— *Comparison of Budget Estimates of 1887-88 with Revised Estimates of 1886-87.*

	Increase.	Decrease.	
	£	£	
Imperial Revenue	967,500	...	£16,200 Better.
„ Expenditure	...	951,300	
Provincial Revenue	421,000	...	
„ Expenditure } „ adjustment }	...	421,000	

The details of these increases and decreases are shewn in the annexed statement:—

Budget Estimate, 1887-88, compared with Revised Estimate, 1886-87.

	Revenue.		Expenditure.	
	Imperial. Increase+ Decrease—.	Provincial and Local. Increase+ Decrease—.	Imperial Increase+ Decrease—.	Provincial or Local. Increase+ Decrease—.
	£	£	£	£
Revenue Heads—				
Land Revenue	+191,400	+135,700	—73,100	+226,700
Opium	—5,600	...	— 78,400	...
Salt	+72,800	—6,800	+79,000	—93,000
Stamps	—809,300	+804,400	—27,900	+26,500
Excise	+931,100	—971,300	+28,000	—26,700
Other Heads	—58,300	+178,900	+23,300	—49,000
Interest	+47,600	—900	+59,200	—100
Post Office, Telegraph, and Mint	+51,200	+800	+78,600	+2,900
Civil Departments	—15,000	—14,500	+260,400	+147,000
Miscellaneous	+359,100	—5,700	+6,700	+21,100
Famine Relief	...	...	—218,800	+1,400
Construction of Railways	...	...	...	—112,900
Railway Revenue Account	+342,900	+282,700	+492,200	+182,600
Irrigation	+75,500	+17,700	—279,500	+326,600
Buildings and Roads	—152,200	*Nil*	+262,400	—49,800
Army Services	+11,300	...	—58,700	...
Provincial Adjustments	...	...	...	—182,300
English Account, Sterling	—54,800	...	+435,900	...
Exchange (@ 1-5½)	—20,200	...	+162,000	...
Total	+967,500	+421,000	+951,300	+421,000

18. On the Revenue side the Land Revenue is on the whole better by £327,100—mainly in Upper Burma £209,900, and Bombay £134,100. Salt, which is almost entirely an Imperial Revenue, is estimated to give six or seven lakhs better returns, part of which is in Madras, and part in Upper India, where the opening of the Jhelum Bridge will improve the sales of Punjab Mine Salt. Both Stamps and Excise are estimated a little lower than the figures of the Revised Estimate of 1886-87. But a quarter of the revenue passes in the new Provincial Contract from Imperial to Provincial in the first case, and from Provincial to Imperial in the second. The figures against other Heads are affected by a similar transfer, but there is a net gain of £120,600, of which part is under Assessed Taxes and part is a payment of arrears under Tributes. Under Miscellaneous in the Imperial column there is an increase of £359,100, entirely due to the entry against Exchange. It represents for the most part the gain to the Government by its contracts with Railway Companies in accordance with which they make their remittances to this country at a rate which involves the payment to them in India of amounts smaller than those which at the exchange equivalent at present rates would have to be paid. There is a similar large receipt in the Accounts of 1886-87, but it is there counterbalanced by the exchange charge borne by Government in remitting money to pay off £1,128,800 of the Stock Receipt Loan of 22nd April 1854. In the Railway Revenue Account the total improvement is £625,600, which is mostly in the revenue of State Railways, as the returns of Guaranteed Railways are not estimated so high as those of 1886-87.

Remarks on financial situation and prospects.

19. Before entering into further examination of the measures proposed in 1887-88 in connection with the Budget, we may make a brief estimate of the present position and prospects of the finances, viewed, so far as at present we can see them, as a whole. It will be seen from the General Statement at page 54 that the Indian revenues have increased from £74,464,197 in the accounts of 1885-86 to £77,460,200 in the Estimates of 1887-88, or, in round figures, by

£3,000,000. Of this we may say that £1,680,000 are due to what are known as the "Principal heads of Revenue," in which are included £553,700 on account of the estimated revenue of Upper Burma, and £902,966 on account of Assessed Taxes; while £1,200,000 arise from increased Railway Receipts, and £100,000 from Irrigation, a total of £2,980,000, or, in round numbers, three millions. The year 1885-86 was a year of abnormal expenditure, and is therefore somewhat inconvenient for purposes of comparison on this side of the account. The expenditure, however, in that year is shewn at £77,265,923, the estimated expenditure of 1887-88 being £77,443,500. Eliminating in 1885-86 £3,050,000, on account of the net extraordinary expenditure connected with military preparations, and deducting similarly £1,770,000 in 1887-88, being the net excess of expenditure in Upper Burma, we have, in 1885-86, an expenditure of £74,215,923 against £75,673,500 in 1887-88; an excess of £1,457,577 in the latter year, to which must be added £1,406,000 on account of the Famine Insurance Grant, which has not been charged against Revenue in the Estimates of 1887-88. The net increased expenditure in the latter year, as compared with 1885-86, will then be £2,863,577. The chief items contributing to this are (*a*) excess expenditure (largely composed of the increased charge for interest) on the Railway Revenue Account, the figures of which, excluding exchange, are for 1885-86 £12,820,911, and for 1887-88 £14,490,300, a difference of £1,669,389 (these charges are abnormally high in 1887-88), (*b*) Exchange (£1,104,912), and (*c*) charges arising from the increase to the strength of the army. Against the £3,000,000 increased receipts we thus have £2,863,577 net increase shewn above *plus* £1,770,000 extraordinary charges, or £4,613,577, the difference, roughly speaking, being the amount which we have met by the transfer of the charges under Railway Famine Insurance to Loan.

20. The net addition since 1885-86 to Imperial Revenues, as distinguished from Provincial, may be put in round numbers at £880,000 on account of Income Tax, and £640,000 by the revision of the Provincial Contracts, or £1,520,000. We are engaged in examining further projects of retrenchment, though we shall not, for some time to come, be able to say what will be the amount of our further economies. On the other hand, we shall have brought upon our estimates before long the total addition to military charges consequent on the increase to our forces. We may expect that this will be more than provided for by the additions to Revenue just indicated. We may also consider that, with the exercise of prudence, the growing receipts of our railways will about equal the future increase of expenditure on railways debitable to revenues, including interest on debt incurred for construction of State Railways and Payment of surplus profits on Guaranteed Railways. To the growth of other heads of receipt we may look for an equivalent to the interest charges on account of such capital outlay as that for defence works. Apart from war or famine there remains, so to speak, uncovered, the future growth of expenditure connected with exchange, a source of gravest anxiety regarding which I have no desire to modify the remarks recorded last year. This item has increased from £4,411,437 in the Accounts of 1885-86 to £5,500,500 in the Estimates for the year 1887-88. It is impossible to foresee what will be the future increase; but it may be said that, so far as an unfavourable exchange is due to larger drawings by the Secretary of State owing to increased purchases of material for railway construction, the ratio of increase will be lessened in proportion as the railways now in course of active construction by the State approach completion. It must also be remembered that the net surplus of railway receipts will become more considerable, on the one hand as the lines now in course of construction are opened and as capital at present unproductive yields returns, and on the other hand as the expenditure remaining on account of construction diminishes. In both these directions some set-off may be looked for against increasing charges on account of exchange. The excess military expenditure

on account of Upper Burma will disappear, it may be hoped, in next year's estimates. But the Civil expenditure will probably, for the next two or three years, be in excess of the revenues of that Province, and so long as this proves to be the case, it must continue to be of the nature of an extraordinary charge, for which some special provision such as that of this year may have to be made. Apart from the question of silver, there would seem, therefore, to be no grounds for anxiety greater than those here indicated. Much caution is needed for the present, because we cannot look forward to relief through the immediate increase of our net receipts in any material degree from the opening of new railways, or the slackening of construction; and because in proportion as we utilise our surplus revenues for administrative needs we draw upon resources which form the first reserve in the event of an outbreak of famine. But, (excepting silver), among the elements of calculation which I have enumerated there are as many favourable to increase of revenue as to growth of expenditure; and it may be added that while the latter, such as we know them to be, will gradually, from the nature of the case, become less onerous, the former are expansive and elastic. It may be added in this connection that £53,343,790 India 4 per cent. sterling stock are redeemable in 1888, and that, on the redemption of this stock, some relief to the finances may be expected.

Necessity of explanation regarding course pursued in respect of Provincial Contracts and Famine Insurance Grant.

21. I now go on to explain the considerations by which the Government has been guided in dealing with the revision of the Provincial Contracts and the Famine Insurance Grant, measures which occupy a prominent place in connection with the Budget of 1887-88, and in regard to which its policy will be fully stated. The decision taken in regard to these two heads has largely contributed to bring about the balance between receipts and expenditure. The former has added to the Imperial Revenues a sum of about £550,000 annually for the next five years; the latter, though a measure temporary in character, has decreased the charges against Revenue by the sum of £1,248,000. I hope not to be tedious if I examine at some length the character of the financial relations established between the Government of India and the Local Governments by the successive arrangements which have been concluded since 1870, as well as the nature of the obligations imposed upon the Government under the present form of the Famine Insurance scheme. It is necessary to do this in order to explain why the Government has felt free to avail itself of the resources existing in either of these directions. It was inevitable that, on the expiry of the five years' term of the late contracts, at a time when the finances of the Government of India are subjected to excessive strain, the assignments made to Provincial Governments for a fresh term of years to enable them to meet the charges of provincial administration should be reviewed with special regard to economy. The result of the arrangements concluded between the Provincial Governments and the Government of India has been to reduce the Provincial revenues at the time existing, and the circumstances in which reductions have been made, no less than the system under which they have been made, may have been temporarily lost sight of. In a Resolution published in the *Government Gazette* of 28th January 1887, the Government of India has already stated, in general terms, the principles by which it was guided in the arrangements recently concluded with Provincial Governments. I shall have occasion to return presently to that Resolution; but my object at present is to recal the past history of the measures which have been the outcome of what is known as the policy of decentralisation, and to prove that our procedure in the late revisions has been identical with the procedure laid down in past times. I believe that if we had dealt with the question in any manner other than that in which we have disposed of it, we should have made ourselves justly liable to the charge of introducing

Proposed review of past measures in connection with provincial finance.

elements into the policy destructive to its stability, and inconsistent with the security of the finances of the Government of India, which are the only serious guarantee for the independence of Provincial finance.

Object of the following remarks stated.

22. I shall, in the first place, recal the fact that in 1870 it was as much the aim of the Government of India to strengthen its own finances as to improve the relations existing in financial matters between itself and Provincial Governments. To that end, I shall explain, the Government of India not only required Provincial Governments to make good from their own resources the balance between the expenditure allotted to them and the funds assigned to meet this expenditure, but, at a later date, when the matter had passed into a further stage, it reserved to itself, with certain exceptions, all increase of revenue accruing during the term of what are known as the "Contracts." It will be then shown that the Government of India has refused to recognise any claim against it to furnish funds except those allotted simultaneously with given heads of expenditure to meet the further growth of expenditure, in the branches of administration assigned to Local Governments; and that, on the contrary, it has repeatedly referred to its discharge from all obligations under this head as one of the principal objects which it has had in view. While the Government of India has left to Local Governments the use of their share in the increase, during the contract term, of the revenues assigned, it will be explained that it has, in specific terms, and on successive occasions,—in 1882, as in previous years—laid down and acted upon its claim to review and revise its share in the common revenues when the term of contract expired. It has been compelled again, on the present occasion, to act in accordance with this last reserve, because, important though they unquestionably are, the interests of the Local Governments in matters of finance are second to those of the Supreme Government, upon which rests the sole responsibility for the maintenance of the financial credit of India. The only question, therefore, which can arise out of the measures recently taken in connection with provincial finance is in connection with the extent to which the Government of India has used its powers. On this point the necessary information will be given, and the resources left at the disposal of Provincial Governments will be stated.

Enumeration of four positions established in past years in connection with Provincial Finance.

23. I propose to shew that the following four positions, in pursuance of which we conducted the late revisions, have in past years been established in the course of the arrangements connected with the Provincial Contracts. They are as follows:

First: That the amount of the funds assigned to Provincial Governments need not exceed, or equal, the amount of the expenditure assigned at the time when the contracts are made; Provincial Governments being expected to provide by their own resources the difference between the assigned revenue and expenditure.

Second: That the growth of provincial expenditure during the term of a contract must be met from growth of provincial revenue; except in cases where considerable expenditure is undertaken by Local Governments to meet the wishes of the Government of India, and to carry into execution projects which are pressed upon it by that Government.

Third: That the Imperial Government reserves its claim, at the expiry of a term of contract, to such share as the circumstances of the time may make necessary in the increase of revenues which have accrued to the Province during the term of the contract, but which were reserved to the Provincial Government during such term.

Fourth: That the power of enforcing reduction, on the occasion of a new Contract, of the assignments of revenue made at the previous contract, is a condition implied in the system of Provincial Contracts, and has been uniformly acted on.

24. The orders in accordance with which these four several conditions have been laid down more or less overlap one another in point of time, and it is not very easy precisely to separate the circumstances in which each was determined. But they may be grouped more or less exactly round the successive arrangements of 1870, 1877, and 1882, and it is in that order that I will take them. I begin with 1870. The Resolution of December 14th, 1870, which was the first embodiment of the views and intentions of the Government of India on this subject, commenced by declaring that it was desirable to enlarge the powers and responsibilities of the Governments of Presidencies and Provinces, in respect to the public expenditure in some of the Civil Departments. It developed the reasons which had led the Government of Lord Mayo to that decision; and in paragraph 8 it indicated the liability to which, under its provisions, Provincial Governments would be required to subscribe in order to obtain the enlargement of powers and responsibility which it was the object of the Government of India to assure to them;

Measures of 1870 in regard to the first of the above four positions

"It would have been satisfactory had His Excellency in Council been able to propose the enlargement of the power and responsibility of the Local Governments without charging upon local resources any part of the existing Imperial expenditure. This cannot be done; but it has been determined to make as small a demand upon these resources as possible. At the same time, it should be remembered that the relief of the Imperial finances has been a principal object in the discussion of such measures on former occasions."

Resolution of December 14, 1870.

That paragraph shews the important reserve as to the relief of the Imperial Finances with which, at its inception, the system of decentralisation was accompanied. The grants assigned, with certain branches of expenditure, to the several Local Governments were less than the grants made in the previous year for the same services; the balance was to be found, whether by economy or by local taxation, by Local Governments themselves. It was declared to be impossible to introduce the system without making an initial demand on the resources of Local Governments, though it was desired that the demand should be as small as possible. The amount by which the expenditure of the several branches of the administration assigned exceeded the revenues allotted to meet it was £330,800, or 6 per cent. on the whole arrangement. It was expected that the Local Governments would furnish themselves, not only with this sum, but, which is of no less importance, with all further sums necessary to meet the growth of expenditure in the departments assigned to them. In the course of his Financial Statement for 1871-72, Sir R. Temple wrote—

Reserves established therein, and reductions made in funds assigned for expenditure.

Sir R. Temple.

"The Local Governments are to have a fixed annual allotment from the General Exchequer for these particular Services, and are to appropriate as Local Income all Receipts connected therewith. They are to regulate (subject to certain General Rules) all the Expenditure on those Services. If the existing income, namely, Imperial Allotment *plus* Departmental Receipts, shall suffice for the requirements of that Expenditure, then that is well; if it shall not suffice, then the Local Governments are not to apply to the Government of India for increased Grants. They must raise what they need by Local Taxation, or by such like means (subject to our central control) if they fairly can But if they find that they cannot fairly manage this, then they must necessarily do without the increased expenditure. However much the necessity for doing without the increase may be regretted, there is no help for it. This is the only way of following the good old rule of cutting coat according to cloth. However important progress and improvement may be, financial safety is more important still.

* * * * * * * *

"These allotments have been fixed on the basis of the Budget Grants for 1870-71 (after the deduction of the £331,038 rateably distributed). The objections which might be urged in detail against this mode of fixing the allotments have not, indeed, been overlooked. But certainly any other method that could be devised would have stirred up controversies and difficulties which might never be determined, and which would have caused an indefinite postponement of the whole measure.

"If it were urged, too, that the Grants for 1870-71, having been very economically fixed, afford too low a standard for future Allotments, we should reply that these Grants were really as much as we could possibly afford; and that we are not likely to be able to afford more for some time to come.

* * * * * * * *

"How the several Local Governments will deal with their respective shares in the retrenchment of £331,038 from the grants of 1871-72, and how they will provide whatever additional sums may be required for the finance of the services now entrusted to them, is more than I can say, at present. It is, however, clear that they have, to some extent, already made up, or are making up, their quotas of the retrenchment by savings and reductions of expenditure—a method, in my opinion, the most satisfactory of all."

Lord Mayo, on the 18th March 1871, said:—

Lord Mayo

"Then under the *eight* Heads, it is proposed to entrust administration, under a few general conditions, to Provincial Governments, and that a fixed contribution will be made from Imperial Revenue every year. I shall have something to say, hereafter, as to the amount of that contribution. It is intended by the Supreme Government (and I think that there should be no doubt on this point) that that sum should for some time, at all events, be a fixed sum. It is impossible to prophesy or say, at present, what can be done in the far future; but I should be misleading the Local Governments if I were not to say that it is our opinion that these sums are now fixed at an amount which cannot be exceeded for, at least, a number of years. I think it desirable that this should be perfectly understood, because one of our objects is the attainment of as great an amount of financial certainty as is possible. We believe that, in justice to other public claims which are certain hereafter to be made on Imperial Revenue, in view of increased charges for the payment of Interest and other objects, we cannot without recourse to large additional Imperial Taxation increase this sum as now fixed to any very considerable amount. We know that, if it is necessary, the sums which have been hitherto allotted for this purpose can be increased by Local Taxation in a manner much less burdensome and much less offensive to the people than they could be by Imperial Taxation. If it is necessary or desirable to spend money, that money must come from some source. It is possible that the wants of the Local Governments may increase, and I dare say they will; but if they do, we believe, after the most mature consideration, that these wants can better be supplied within the limits of the Provinces themselves, than they can be by adding to the Imperial Taxation of the Empire and the general burdens of the people."

Remarks on the above extracts.

25. It is evident from these extracts that in the minds of those who introduced the Resolution of 1870, and the policy which it embodied, the assignments of revenue to Local Governments were not to be necessarily equal to the present expenditure in the several branches of administration assigned to them. The system introduced in 1870 has been since that date developed, and on three subsequent occasions, *viz.*, in 1877, in 1879, and in 1882, new arrangements have been entered into with Local Governments. We shall see that in 1877. when the system was developed, the practice adopted in 1870 was followed, and that on the second, as on the first occasion, Local Governments were expected to make good for themselves the excess of assigned expenditure over assigned revenue. Financial circumstances, on the latter of the three occasions referred to, *viz.*, in 1882, enabled the Supreme Government to deal at its discretion on terms exceptionally favourable to some of the Local Governments; but it has never in any way intimated that, in the future exercise of such discretion, it would follow the precedent of 1882 rather than that of 1870. If, on the present occasion, the assignments of revenue under specific heads of expenditure have been reduced, it has been done only in the proportion which the enquiries of the Finance Committee have shewn that expenditure itself could be cut down.

Second position stablished in past years.

26. I pass now to the second of the four heads indicated in a preceding paragraph, *viz.*, that the growth of provincial expenditure during the term of a contract must be met from Provincial revenue, so far as considerable expenditure is not undertaken by Local Governments to meet the wishes of the Government of India, and to carry into execution projects pressed upon them by that Government. The Government of India has at all times, as, for example, in the extracts already quoted, declined to recognise its liability for any addition to the assignments made to Provincial Governments, on the ground of the increase of provincial expenditure in the departments assigned. Not infrequently during the recent discussions in respect of the revised contracts, there has been much misconception as to the claims of Provincial Governments for assignments of revenue sufficient to meet, not existing expenditure only, but increases of expenditure contemplated by Local Governments during the ensuing five years of the contract. The following explanation will shew that any such claims have never been on previous occasions, whether in 1870 or subsequent to 1870, in any way recognised, and that to have admitted them now would have been quite inconsistent with the spirit of the whole system.

Modifications introduced in 1877 into the system.

27. It is necessary to say here that in 1877, the next occasion on which the provincial arrangements came under consideration, an important advance was made in the system of decentralization. The advance was in two directions *firstly*, some additional heads of expenditure were transferred; and *secondly*, some heads of receipt were made wholly or partially provincial, the amount of which took the place of a portion of the fixed assignment of 1870. Before discussing the latter, which was the more important, I will notice the advance made in the way of transferring additional heads of expenditure, an extension of the system which was carried out in precisely the same direction and on the same lines as the measure of 1870, which has been above dealt with.

Reductions made in funds assigned for expenditure in 1877.

28. In calculating the amounts for the several heads of the expenditure then for the first time made provincial, the figures were taken as nearly as possible at what were believed at the time to be the normal amounts. But from the total of the expenditure under the new heads then for the first time transferred a retrenchment of about 5 per cent. was made. In the case of the North-Western Provinces the amount of this retrenchment was ₹3,54,000; in other words, the Local Government was expected to undertake the management of the new expenditure with an initial grant about 3½ lakhs less than the Imperial grants hitherto assigned for the services. The difference in the assigned departments between the total expenditure after this reduction and the Provincial receipts was to be the net Imperial assignment to the Provincial Government, which was to make good, by such methods as it thought fit, the deduction of 5 per cent. above indicated. In Oudh the retrenchment for the newly transferred services was also at 5 per cent., amounting to ₹73,000. In Bengal the 5 per cent. retrenchment was similarly made, amounting to ₹5,90,000. Sir John Strachey, in his Financial Statement of March 1877, thus described the result of the arrangements made with the North-Western Provinces, Oudh, and Bengal:—

"Altogether the immediate saving to the Imperial Treasury by the arrangements entered into with Bengal, the North-Western Provinces, and Oudh is £101,780, beside guarantee of normal increments to the transferred revenues amounting to £44,000. The estimates of the year are thus better by £145,700 than they otherwise would have been. I hope that, when it becomes possible to enter into similar arrangements in other Provinces, equally satisfactory results may be obtained."

In the course of the year 1877-78 similar arrangements were concluded with the Governments of the Central Provinces, Bombay, and the Punjab. The retrenchments made from the newly transferred heads were respectively, in the case of each Province, ₹90,000, ₹73,000, and ₹2,41,000. Besides the direct retrench-

ments referred to above, the Imperial Government also benefited by the arrangement made in some Provinces for the transfer of productive public works to Provincial control, and by guarantees of increased revenue under some of the transferred heads. The total benefit to the Imperial Finances was stated to be about £400,000 in the Financial Statement for 1878-79 (para. 21):—

"The measures taken during the past year for increasing the powers and responsibilities of the Local Governments, the nature of which was described in the Financial Statement for 1877-78, will, it is believed, when they are complete, improve the financial position of the Government of India by an annual sum of nearly £400,000. No part of this improvement is due to fresh taxation. It is the result of the administrative changes and improvements to which the policy of decentralization has led. The original measures taken in 1870 by the Government of Lord Mayo had previously led to a saving of £330,000, and this policy, which has given increased efficiency to almost every branch of the Administration. has thus added to the Imperial Revenues a sum of about £700,000 a year, without the imposition of any fresh burdens on the people. These measures of decentralization have now been more or less completely carried out in Bengal, in the North-Western Provinces and Oudh, in the Punjab, the Central Provinces, and in Bombay, and in all cases with the complete approval of the Local Governments. The only great province in regard to which no satisfactory arrangement has hitherto been found practicable is Madras."

Further changes effected in 1877. Transfer of Revenue.

29. The second and more important advance made in 1877 was, as I have said, the transfer to Provincial Governments of Revenue. In 1870, the only Receipts which were made Provincial were the departmental receipts corresponding to the head of expenditure transferred. These were comparatively unimportant in amount. All the main heads of Revenue were retained as Imperial. In 1877, the Local Governments were given an interest in some of the main heads of Revenue. Sir John Strachey, in his Financial Statement of March 15, 1877, said (para. 5)—

Sir John Strachey

"The weak point in those measures (the measures of 1870) was this, that, while they transferred to the Local Governments the responsibility for meeting charges which had an undoubted tendency to increase, the income of which the Local Governments had to dispose, although not quite a fixed amount, had little room for development. The difficulty has perhaps not, hitherto, been generally felt to a serious extent, because it has been met by economy and good management: it must, however, be felt hereafter; and, for this and for still more important reasons, I have always maintained that the system of Provincial Assignments established in 1871 ought to be applied not only to expenditure but to income. What we have to do is, not to give to the Local Governments fresh powers of taxation, but, on the contrary, to do all that we can to render fresh taxation unnecessary, and to give to those Governments direct inducements to improve those sources of existing revenue which depend for their productiveness on good administration.

"How is this better administration to be obtained? The answer seems to me simple it can be obtained in one way only; not by any action which gentlemen of the Financial Departmant, or any other Department of the Supreme Government, can take while sitting hundreds or thousands of miles away in their offices in Calcutta or Simla; not by examining figures and writing circulars; but by giving to the Local Governments, which have in their hands the actual working of these great branches of the revenue, a direct and, so to speak, a personal interest in efficient management. It may be very wrong, but it is true, and will continue to be true while human nature remains what it is, that the local authorities take little interest in looking after the financial affairs of that abstraction, the Supreme Government, compared with the interest which they take in matters which immediately affect the people whom they have to govern. When Local Governments feel that good administration of the Excise and Stamps and other branches of revenue will give to them, and not only to the Government of India, increased income and increased means of carrying out the improvements which they have at heart, then, and not till then, we shall get the good administration which we desire; and with it, I am satisfied, we shall obtain a stronger and more real power of control on the part of the Central Government than we can now exercise."

Reserves with which the transfer of revenue was accompanied.

30. It is not necessary to dwell on the reasons which led to the adoption of the measures of 1877 further than to call attention to the safeguards to the Imperial Revenues with which the change was accompanied. In the first place, an amount, corresponding to the average at which the revenues transferred had increased in the past, was, as a rule, reserved during the currency of the contract to Imperial Revenues. In the second place, the right of the Imperial Revenues was also laid down to share during the period of the contract, in accordance with the terms thereof, in any increase over and above what was estimated to be the figure of average increase, which might be caused by the greater care in the control and management of the revenues. In the case of Bengal, the Local Government was allowed to retain during the term of the contract the whole increase in consideration of the fact that a considerable burden was then being imposed on that Province in order to guarantee to the Imperial Revenues the interest on the capital spent on the construction of canals and railways.

Remarks on the above.

31. It will be seen, therefore, that in 1877, as in 1870, the funds assigned from the Imperial to the Provincial Governments fell short of the scale of expenditure existing at the time of transfer; and the balance had to be made good from their own resources by Provincial Governments. It will also be observed that not only was no provision made by the Imperial Government for the assignment of any further grant to meet increase of expenditure during the term of the contract, but a guarantee was taken from Provincial Governments for the payment during the term of contract to the Imperial Government of increased revenues under certain heads. For increase of expenditure over the initial scale the Local Governments had to depend only on such improvement over and above the estimated ordinary increase in the revenues made provincial as they might by good management be able to secure. In later times the Provincial Governments have been allotted a share in all increase whatever of the assigned revenues.

Fixing of definite term of Contract.

32. In addition to the two safeguards to the Imperial Revenues abovementioned a third was the fixing of a term for the duration of the contracts. The periods fixed for the duration of the contracts of 1877 from 1887-88 were as under:—

North-Western Provinces	Two years.
Oudh	One year.
Bengal	Five years.
Bombay	Five „
Central Provinces	Three „
Punjab	Three „

The contracts with Burma and Assam were made for five years from 1878-79. The above periods were subsequently either extended or shortened, with the consent of the Local Governments, so as to end in March 31, 1882.

Third and fourth positions established in past years.

33. All the contracts of 1877 were therefore made for definite limited periods, at the close of which the terms were to be open to revision, and in particular the division of the increase of revenue under the transferred heads between Imperial or Provincial was to be re-adjusted. This last mentioned condition attached to the transfer of receipts to Provincial Governments brings us to the third and fourth of the four positions to which I have referred as having been established between the Government of India and Provincial Governments, *viz.*, the claim of the former on the expiry of the contract to a share in the increased revenue enjoyed by Provincial Governments during the term of a contract, and the liability of the latter to a reduction in the amount of Revenue assigned to them under the contract preceding. In 1877 it was declared to be the intention of the Imperial Government under the Provincial system to revise the terms of a contract on conditions which would be financially less lucrative to a Local Government if, on the expiry of the period fixed for the contract, circumstances

should so require. To show that this was an essential condition attached to the Provincial system from the time when main heads of receipt were first made provincial, I quote two paragraphs from the letters embodying the contract made in 1877 with the North-Western Provinces and Bengal.

First, as to the North-Western Provinces—

Case of the North-West Provinces, 1877.

"The conditions to be annexed to the proposed transfer to the Local Government of the Revenue from *Excise, Stamps*, and *Law and Justice* are as follows. These items of Revenue have, for some time past, grown satisfactorily, year by year: the net Revenue in 1875-76 from these sources, throughout India, was more by R52,20,000 than the corresponding net Revenue in 1870-71: the Government of India is not in a position to part with this normal growth of these Revenues. On the other hand, while it is, perhaps, too much to expect that these Revenues should continue, without more special attention than is now bestowed upon them, to increase at the rate of upwards of R10,00,000 a year, excellent results may, doubtless, be anticipated from the added care of the Local Governments when they have a particular interest in the development of these Revenues. In the North-Western Provinces, however, these Revenues have grown less, and fluctuated more, than elsewhere; and the Government of India will, therefore, be satisfied if, for the next two years, the Government of the North-Western Provinces will give to the Imperial Treasury half of any net increase that may result from its management of these Revenues: the Government of India undertaking, on its part, to bear half of any deficit that may appear. At the end of two years this arrangement will be open to revision. While the Government of India is most desirous that the Local Government should share largely in any increase of Revenue to which improved administration may lead, it is evidently reasonable and necessary that the Imperial Revenues should share in this increase. It must also be understood, as already stated, that the Government of India does not propose to surrender any portion of that normal growth of these Revenues which might have been expected to continue if no change of system had been made. (*Government of India No. 852, dated 10th February, 1877, to Government, North-Western Provinces.*)

Secondly, as to Bengal:—

Case of Bengal, 1877.

The revenue from *Excise, Stamps*, and *Law and Justice* will be thus surrendered for the next five years: thereafter, the whole arrangement will be subject to revision; and the Governor General in Council must then probably claim for the Imperial Revenues a share of any improvement which may ensue under the management of the Local Government in excess of the stipulated annual increments belonging to the Imperial Treasury. While the Government of India is most desirous that the Local Government should benefit largely by any increase of revenue to which improved administration may lead, it is evidently reasonable and necessary that the Imperial Revenues should eventually share in such increases. But, inasmuch as a considerable burden is being now imposed upon the Province of Bengal, in order to guarantee to the Imperial Revenues the interest on the capital spent in Bengal on the construction of canals and railways, the Government of India has consented, for the present, to abstain from claiming any part of the further increase which may be expected to these revenues in consequence of the greater attention that they will now doubtless receive from the Local Government. (*Government of India No. 1899, dated 29th March, 1877, to the Government of Bengal.*)

34. The quotations which I shall make in noticing the contracts of 1882 will show that the principle was re-affirmed and acted on in that year; the last occasion on which, previously to the present year, the contracts have come under revision.

Expansion of the system in 1879 in the case of Burma and Assam.

35. The arrangements with Burma and Assam, it may be added here, were not completed till later in March 1879. They involved a further expansion of the system. The new feature in these two contracts was that the equilibrium between the Provincial revenue and expenditure was secured, not by the grant of a lump assignment to make good the difference between the expenditure and revenue made Provincial, but by the grant of a share in the reserved Imperial revenues—one-fifth of net Land Revenue in Assam and one-sixth of Land Revenue, Forest Revenue, Rice Duty, and Salt receipts in Burma. In other respects these contracts were similar to those of 1877-78 with other Governments.

Proceedings of 1882.

36. We come now to 1882. The arrangements then made were embodied in Resolutions dated 30th September 1881 and 17th January 1882. The principles on which the settlement of 1881-82 was effected may be best described in the words of the Resolution of September 30, 1881 :—

"In the first place, it is now proposed to apply to the whole of India the principle upon which the most recent settlement, namely, that with Burma in 1879, was framed. That principle is that, instead of giving Local Governments a fixed sum of money to make good any excess of provincialised expenditure over provincialised receipts, a certain proportion of the Imperial revenue of each Province should be devoted to this object. Certain heads, as few in number as possible, are wholly, or with minute local exceptions only, reserved as Imperial; others are divided, in proportions for the most part equal, between Imperial and Provincial; the rest are wholly, or with minute local exceptions only, made Provincial. The balance of transfers, being against the Local Governments, is rectified for each Province by a fixed percentage on its Land Revenue (otherwise reserved as Imperial), except in Burma where the percentage is extended to the Imperial rice export duty and salt revenue also. The advantage of this system over that which now generally prevails is that the Provincial Governments will be given a direct interest, not only in the provincialised revenue, but also in the most important item of Imperial revenue raised within their own Province."

37. In the contracts of 1882 the reservation of the estimated increase of receipts to Imperial was not separately continued. The reservations of the estimated increase and of the excess over and above the increase estimated were run together by providing in certain proportions for a division of the actual receipts between Imperial and Provincial.

38. It will be remembered that in 1881-82 the finances were considered to be in such a flourishing condition that measures were adopted having for their end the remission of large amounts at that time yielded by taxation. The sum remitted when the Budget of 1882-83 was brought forward was nearly £3,000,000. In these circumstances it was to be anticipated that the Provinces would be enabled to share in the general prosperity. The revenues assigned to them were equivalent to the expenditure, as at that time existing, and additional grants were in some cases allowed. In the Provincial Statement of 1882-83, the general result of the new Contracts was summed up to the following effect. The Imperial Government might have resumed £470,000 a year as being in excess of what was needed to cover Provincial expenditure. Of this sum it gave back to the Provincial Government £77,900 for improving the position of the Subordinate Civil Services, for general purposes in the Central Provinces, &c.; £20,000 to the Madras Government for Provincial Public Works, and £326,000 to the North-Western Provinces and Oudh, of which £10,000 was for additional kanungos in Oudh, and the remainder (£316,000) was in the form of remission of taxation. It further remitted a lump sum of £360,000 equivalent to £72,000 a year for five years, on account of the first year of the new settlements by means of a transfer to the Provincial Accounts of Bengal (£285,000), Burma (£20,000), and the North-Western Provinces (£55,000) to be effected before the close of the current year 1881-82. The total grants and remissions amounted to £496,000 a year. The net result was a loss to the Imperial Government of £26,000 for five years.

39. While the Imperial Government considered itself justified, in the state of its finances as then existing, in remitting £326,000 provincial taxation in the North-Western Provinces and Oudh,—taxation which had for its object the provision of wages to village accountants, a new charge which from that time the Government voluntarily transferred to its own shoulders,—it was careful both in its declarations and in its practice to maintain its right at the end of the five years' term, then commencing, to reconsider in its own favour the assignments to Provincial Governments. In the following words it deliberately repeated the reserves which it had established in 1877: "It is to be distinctly

Reserves embodied in Resolution dated 17th January 1882:

understood," the Government of India wrote in its Resolution dated 17th January 1882, "that the Imperial Government reserves to itself, on the expiration of the term, the power to revise the settlement, and to withdraw from any Local Government such portion of its grant as cannot then be continued without injustice to other Provinces whose means are straitened, or limitation of Imperial undertakings which need early development. To the Local Governments such revision will afford no cause for complaint, because the inducements now offered for entering into an agreement are the freedom to administer their own resources and to apply at will (subject to the general standing orders) any increase reaped during the period of settlement alone. On the other hand, while the Local Governments will undertake, for the term of the settlement, all ordinary fluctuations in their revenues and expenditure, and to make such increases in the latter as may be necessary on the existing basis of administration, due allowance will be made, by modification of the fixed percentage of land revenue or otherwise, for any material alterations in the nature of their income, resulting from legislation or organic change of financial system effected for Imperial reasons."

40. This reserve was again laid down in addressing the Bengal Government :—

In letter to Bengal Government dated 14th January 1882:

"The Regular Estimate being thus recognised as the basis, the question as to the terms upon which the new settlement is to be effected may next be considered. The principle that a Local Government is not entitled to receive, as of right or even in equity, a continuation during a new settlement of the whole increase in its Provincialised receipts which has occurred during the preceding one, is beyond serious dispute. By the nature of the case all such settlements are provisional, and must always be so. The financial administration of India is necessarily a whole. For the sake of diminution of friction and other well-known objects which need not be specified, the Imperial Government delegates a share in this administration to Local Governments. It makes a rough calculation that a certain portion of the general income, together with the increment thereon, will suffice to meet the expenditure which it retains under its own control, and it hands the rest over to Governments, with the obligation to meet out of it certain necessary expenditure and with leave to spend in addition, and as they please, any increment in the assigned income which they can manage to create. But it cannot bind itself to this proportion for ever, because the calculation must necessarily be a rough one, and is liable to be vitiated by unforeseen failure of resources, or growth of charges, whether in the share of financial administration which it retains or in that which it delegates. An examination of the apportionment at convenient periods, and a re-adjustment of it in any particular found necessary, are indispensable. A surrender of the right to this would be analogous in nature and effects to the Permanent Settlement of Bengal. To the Local Government, such a periodical revision involves no hardship, because it has enjoyed, during the whole expired term, the freedom to administer its own resources and to apply at will any increase reaped from them, which were the inducements under which it entered into the contract." (*Secretary to Government of India, Financial Department, to Secretary to Government of Bengal, No. 284, dated 14th January, 1882.*)

41. In the Financial Statement for 1882-83 Sir Evelyn Baring expressed similar views :—

and in Financial Statement, 1882-83.

"I need hardly say that when the contracts, which are about to close, were made, the Government of India reserved to itself the right of revising them on expiry. It is, indeed, obvious, that in view of the manifold demands on the Imperial Treasury, and the necessity for affording relief to Provinces whose means are straitened, the Government of India cannot forego all its claims on the increments of Revenue which arise from the growing wealth and prosperity of the country. We have, however, wished to approach this question in a liberal spirit, and not to make any revision which will be favourable to the Imperial at the expense of the Provincial Revenues, except in cases where this course can be adopted without embarrassing Provincial Finance or checking the growth of the material prosperity of the Province."

42. Practical effect was given to these conditions by the ruling of the Government of India that the province of Bengal could, from the com-

Reductions of assignments in the case of Bengal and the North-West Provinces.

mencement of the year 1882-83, afford to relinquish to the Imperial Government its surplus of 30 lakhs of rupees per annum. An annual increment of 6 lakhs, and probably more, it was explained, would still remain to the Province; it would start, moreover, with the abnormally large balance (including the restored contribution) of 39½ lakhs of rupees. If this did not suffice for its expanding wants the resource of local taxation remained. It was subsequently arranged that the net reduction should be 20½ lakhs; the precise figure taken is, however, unimportant; what is important to the present purpose is to shew how, in 1881-82, both in the reserves which it laid down and in the effect which it at the time gave them, the Government of India re-affirmed and put into execution the principle that a Local Government is not entitled to receive as of right, or even in equity, a continuation during a "new Settlement of the whole increase in its Provincialised receipts which has occurred during the preceding one." The principle was also applied in the case of the North-Western Provinces and Oudh, from which province a sum of 13 lakhs was taken.

Resumé of preceding remarks.

43. The above *resumé* of the arrangements entered into between the Imperial and Provincial Governments during the last 17 years will, I hope, enable us to approach the examination of the arrangements recently effected with a clear understanding of the claims which, on the one hand, Provincial Governments may confidently put forward, and on the other of the reserves and limitations with which the Government of India, under the sense of its ultimate responsibility for the conduct of the Indian finances, has from the commencement thought it necessary to safeguard its concessions. It shews that at no time has the Government of India contemplated relaxing its control over the revenues when the period of resettlement came round. Although it has desired and still desires to give every possible encouragement and liberty of action to Provincial Governments during the currency of their contracts, it has never lost sight of the fact that the revenues assigned them are the revenues of India, though alienated for a term to Provincial uses with a view to their better and more economical administration. While allowing to the Provincial Governments considerable latitude and discretion in the disposal of the revenues assigned them, while ensuring them the revenues necessary to their expenditure, a guarantee against all serious difficulties, and a substantial share in the increase of the revenues allotted them during the period of the settlements, the Government of India has never admitted that on the expiry of such period the settlements must remain undisturbed, and that no regard should be paid in recasting them to the obligations, or to the financial prospects of one of the parties to the settlement. It may be urged that the necessity of exercising its powers of revision by the Government of India in a sense possibly favourable to itself lessens the interest of Provincial Governments in their finances, and diminishes the advantages of the present system. If this is so, it has been so since 1870; while in 1882, on the last occasion on which the contracts were renewed, the exercise of this power of revision, although less called for than at present, was made use of, and was specially cited as not lessening in any way the importance of the advantages which accrue to Local Governments from the system: "To the Local Governments such revision will afford no cause for complaint, because the inducements now offered for entering into an agreement are the freedom to administer their own resources, and to apply at will (subject to the general standing orders) any increase reaped during the period of settlement alone." In the present revision, the Government of India has proceeded upon lines fully indicated to Provincial Governments on the last occasion when the contracts were under consideration, and has exercised no powers other than those with which it is known and acknowledged to be provided. The circumstances of the time must decide the extent to which those powers

are, on any particular occasion, used; that is a secondary matter, on which the explanation about to be given as to the details of the recent revisions will throw light. But the truth is that concessions of the nature made in 1870 can only be made subject to the conditions by which the Government of India or Local Governments are bound, from the nature of the circumstances in which they severally exist. Any arrangement inconsistent with those conditions must break down; and no arrangement is more inconsistent, because more prejudicial to that elasticity of the Indian finances which is the sheet anchor of the whole, than one which should proscribe the Government of India from modifying from time to time the proportions of the general revenues allotted to Local Governments, or reserved to its own uses.

Advantages secured to Provincial Governments have been carefully maintained.

44. As the recent revision of the Provincial Contracts has been carried out, on the one hand, in accordance with the reserves and conditions in force, it follows, on the other, that nothing has been done which should lessen the advantages secured by the arrangements of 1870 and following years to Provincial Governments. The freedom of Provincial action within the limits of the revenues assigned; the exclusive claim of Local Governments to the enjoyment of a prescribed share in the increase of those revenues during a given term; and the absence of interference on the part of the Government of India, during the term of the contract, in the financial affairs of Local Governments; all the conditions, in other words, which have brought about the success of the system have been maintained. The question resolves itself to a mere consideration of the adequacy of the sums assigned on the present occasion for the conduct of Provincial Administration, and on this point there could be no better guide than the conclusions arrived at, after exhaustive enquiry, by the Finance Committee, weighed as they carefully have been by the Government of India, after receiving the criticisms of the Local Governments, and adopted only after all necessary allowances have been made with respect to the points where local Governments have shewn that the views of the Finance Committee were open to correction.

Provincial minimum reserve balances.

45. There remain two subjects to be noticed before passing to a consideration of the effect of the revision of contracts which have recently been brought to a conclusion. In the Financial Statement of 1884-85 it was mentioned that Her Majesty's Secretary of State had approved the proposals of the Government of India, that in order to guard against results of possible neglect, or of too sanguine expectations, a minimum reserve balance should be fixed for each Provincial Government or Administration. In other words, each Province or Administration was to keep to its credit a minimum sum to be drawn against in the event of pressure, such, for example, as the opening up of works in time of scarcity for the employment of public labour. The subject is thus explained in paragraph 8 of the Resolution of 17th January 1882:—

Remarks thereon in Resolution, 17th January 1882.

"The new terms on the subject of famine relief, contained in the Resolution, supersede any obligations which may have been imposed upon the Governments of the North-Western Provinces and Oudh, the Punjab, and the Central Provinces, of setting aside such amount as the Governor General in Council may direct, for the purpose of increasing the revenues available for defraying expenditure incurred, or to be incurred, for the relief and prevention of famine in their respective territories. Any amounts hitherto so set aside will hereafter be at the disposal of the Local Governments for ordinary Provincial expenditure. Moreover, as a consequence of the new principles laid down in the Resolution of 30th September last, and of the separate provision in the Imperial Budget of a permanent annual allotment of one crore and a half of rupees for "Famine Relief and Insurance" the Local Governments, while always needing a moderate reserve, over and above the mere "working balance," of sufficient amount to meet scarcity and distress not indisputably amounting to severe famine or other temporary exigencies, will no longer find it necessary to accumulate a great Provincial reserve fund, out of which the demands of severe famine could

in future be largely met. His Excellency in Council is of opinion that, subject to the moderate reserve just referred to, the Provincial resources can be best utilised by being invested to the full, from year to year, in works of a productive or protective character."

Amount to be maintained.

46. The total of the minimum balance for the eight Governments concerned amounted to £1,090,000; and that amount was accordingly a deduction from the effective balance left at their disposal for the ordinary purposes of administration when the contracts were made in 1882. It was admitted, when in 1883 the actual amount of the balance for each Government was fixed, that it would not be possible, in each case, that the Province should at once be able to attain the minimum figure then fixed; but where without undue sacrifice it would not at once be attained, every effort was to be made to reach it in the briefest time possible. With the exception of Burma and Bengal, the prescribed balances have been maintained, and in some cases there have formed considerable accumulation of balances, which, as will be presently shown, still exist in part to the credit of the several Governments possessed of them, and which were utilised in part by the Government of India at the opening of the present financial year, when the necessity of making continued provision for military operations in Burma and a further fall in exchange compelled it to have recourse to the powers which, in the event of necessity, had been reserved in regard to Provincial Revenues in 1881. This reserve is the first of the two points which I have above noted, as requiring to be dealt with before passing to the consideration of the new contracts.

47. In paragraph 5 of the Resolution of the Government of India of 30th September 1881, the previous and proposed arrangements are thus described—

Resolution, September 30, 1881, in respect to the claims of the Government of India on the reserve balances.

"Another important change which is contemplated requires somewhat fuller explanation. In the Resolution No. 3334, dated 14th December 1870, the Imperial Government, speaking broadly, announced a policy of divesting itself of both responsibility and control within certain limits, but a reservation was made (paragraph 17) of power to modify the resources granted, in the event of 'some fiscal misfortune, such as heavy loss in the opium revenue, or national disaster, such as war or severe famine.' On two occasions already within a decade this reservation has been acted on. On the occasion of the great famine of 1876-77 in Western and Southern India, the Supreme Government necessarily came to the rescue of the Local Governments in meeting the enormous outlay involved; but it directed that all Provincial and Local resources must be exhausted before Imperial aid could be supplied. This decision was unexceptionable in the sense in which it was meant; but it may have led to developments which were not altogether intended. The second occasion on which the reservation has been acted on is that of the Afghan war. The Local Governments were called upon, during the years 1879-80 and 1880-81, to contribute £670,000 from the resources made their own by the decentralisation policy, and in the Financial Statement of 1880-81 (paragraph 170) the hope was expressed that they had been able "to afford this timely help to the general finances with little apparent difficulty." The circumstances of the time were, without doubt, peculiar, and the strain upon the finances was undoubtedly severe. But the sudden suspension of improvements in progress, the starvation of public works, and the discouragement of care and economy by requiring a surrender of their results could not, in themselves, be otherwise than prejudicial.

"In modification, therefore, of the reservation hitherto in force, it is proposed to declare, on the one hand, that the Local Governments must look for no special aid from the Imperial Government except in the case of severe famine (and then only within limits to which allusion will presently be made); and on the other, that the Imperial Government will make no demand on them except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate a suspension of the entire machinery of public improvement throughout the empire."

48. This condition, formulated in 1882, was accepted provisionally only by Her Majesty's Secretary of State. He wrote as follows:—

Criticisms of the Secretary of State, 1882.

"The first point to which your letter refers is the suggestion which I made regarding the assistance to be rendered by the Local Administrations to the Central Government in

the case of an abnormal strain on its resources. Your proposal was to declare that such assistance would not be required unless the Imperial reserves should be exhausted, and a suspension of the entire machinery of public improvement throughout the Empire were rendered necessary. As I thought it not desirable that your Government should have to prove the existence of such a state of affairs before requiring the assistance of the Local Administrations, I suggested that it would be sufficient to undertake not to call on them to surrender a portion of their revenues, unless you saw no other alternative than the imposition of taxes which were not considered expedient. To this Your Excellency replies that my despatch reached you too late to admit of your proposing such a condition pending the preliminary negotiations; and you enquire whether I still desire it to be promulgated, observing that you consider it highly inexpedient, save where absolutely unavoidable, to change any of the conditions on which the contracts with the Local Governments were concluded.

"You express an opinion that, though theoretically open to the objection taken to it, the original condition is not, in practice, likely to cause inconvenience; and I am willing, accordingly, to waive the question for the present, though I should desire to have it borne in mind when the time arrives for the next revision of the contracts, and that an explanation of this view should be given to the Provincial Governments."

Desire of Secretary of State in 1886 for modification of existing stipulations on the point.

49. At a later date, writing on July 29th, 1886, the Secretary of State again drew attention to the subject, and expressed a hope that, in the new arrangements which were to be made in 1887 with the Local Governments, some means would be devised by which, in the case of emergency, they might be called upon to contribute a proportionate share towards meeting the necessities of the Empire, according to some well-established principle.

50. It has been seen that the Government of India found it necessary to exercise the powers which it had reserved on previous occasions, and to avoid estimating for a deficit which threatened the Estimates of 1886-87 by utilising in part the accumulated balances of the Provinces when framing the Budget for that year. That deficit was due to the combined results of a further fall in exchange, and to military operations in Upper Burma. It did not amount to the abnormal disaster contemplated in 1882; but if, on the other hand, a call on Provincial balances was not necessary to avoid the necessity of taxation, that was not because taxation was not needed to produce equilibrium, but because, for reasons with which I am not now concerned, it would not have been expedient to impose the amount of taxation necessary to provide against deficit. The Government of India therefore, in the presence of the reserves with which the Secretary of State had agreed to the formula of 1882, considered itself justified in calling on Provincial Governments for some assistance in presence of the difficulties which threatened it in 1886. The action then taken by this Government was approved by the Secretary of State; but in expressing his concurrence he, for the second time, drew attention in the following words to the necessity of making some more satisfactory provision in the matter:—

Course pursued in 1886, in accordance with views of Secretary of State.

"I must, however, express a hope that, in the new arrangements which will be made next year with the Local Governments, some means will be devised by which, in the case of emergency, they may be called upon to contribute a proportionate share towards meeting the necessities of the Empire, according to some established principle."

It became necessary, therefore, for the Government of India to consider, in connection with the revision of the contracts on the present occasion, how the instructions of the Secretary of State were to be met.

51. Experience has shewn that when the Government of India has turned to the Provincial Governments for assistance, the only means by which it has been enabled to adjust its demand has been the power of each Provincial Government to pay. One Government may have spent large balances in productive works, or in civil buildings, or in increase of establishment; another, with smaller balances at its disposal, may have allowed them to accumulate; a third may find its revenues barely equal to its current expenditure. When the pressure comes, it is

Decision arrived at by the Government in this respect, and the grounds thereof.

from those who have balances to hand that assistance must be taken; and no arrangement can be devised which, in the contract term of five years, could equitably give relief to those who contribute, by a transfer of a share of the liability discharged by them to those who, from whatever cause, have been exempted. But the alternative to which at present recourse must be had is obviously inequitable. Whatever arrangement might be established, nothing is more to be regretted than the necessity of applying to Local Governments, during the term of the current contract, for aid from their accumulated revenues. The step is inconsistent with that sense of security during the term of the contracts which is no less essential to the success of the system than the growth of what may be termed mesne revenue. It has seemed therefore a lesser evil that large balances should not accrue than that the accumulation of large balances should expose provincial finances to claims for contributions. The Government has not modified the conditions in which it reserves to itself the right to claim assistance from Local Governments; but it has endeavoured, with the aid of the Finance Committee, to adjust more closely than has been hitherto possible the revenues assigned to the requirements of each Province; and further so to re-arrange the apportionment of the increase of revenue during the term of settlement between itself and Provincial Governments as to leave them a fair share in the increase of the revenues, but to lessen the probabilities of their being called upon for exceptional assistance.

52. In the new Provincial contracts, each Local Government will receive three-fourths of the increase in Stamp Revenue, and one-fourth of that in the Excise Revenue, the Government of India receiving one-fourth of the Stamp and three-fourths of the Excise Revenue, and the expenditure under the heads of Excise and Stamps will be divided between the Local Government and the Imperial Government in the same proportion in which the revenue is divided. In the case of the Land Revenue, in the four larger Governments, one-fourth of the future increase will be received by the Local Government and three-fourths by the Government of India. The shares assigned to Provincial Governments at the last contract varied somewhat; but broadly it may be said that Stamps and Excise were divided in equal proportions between the Imperial and the Local Governments, and that the Land Revenue was divided in proportions which were different in the different Provinces, and which were not fixed with reference to the necessity of securing each Province a particular share of the increase. It will be seen presently that, in the case of most of the Provincial Governments, substantial balances still exist at their credit; these balances have not been interfered with on the occasion of the present revision.

Share reserved to Provincial Governments in Stamp, Excise, and Land Revenue, in the new Contracts.

53. Reference has been already made to the Resolution of 28th January 1887, here quoted, and before leaving the subject attention may be called to paragraph 15 of that Resolution, dealing, as it does, with the second of the two points spoken of in paragraph 45 as remaining to be disposed of. Exception has been taken in 1886, as, in 1881, exception had previously been taken, to the fact that sums not provided in the Provincial Estimates of a given year cannot, without the sanction of the Government of India, be expended during that year. The balances are the balances of the Local Governments, it is said; why should they not spend them when they desire to spend them? The balances, it is true, are the balances of the Local Governments. But they are balances standing at their credit upon an account in which the payments have to be carefully and with great labour adjusted to the incomings. The Government of India relieves the Local Governments entirely of all responsibility for resource operations: of all concern in finding, at the time and place where they are wanted, the actual funds for carrying on their expenditure; and it is necessary to impose upon them the condition that notice shall be

Question as to the powers of Local Governments to dispose during the currency of a year of balances, expenditure from which has not been entered in their Estimates.

given before it is demanded that these balances be produced in hard cash at any given place. At the commencement of each financial year the Government of India ascertains the requirements of each Province as entered in its Estimates; it reckons up its own requirements for the coming year, and it makes provision for ways and means accordingly. But if a Local Government has neglected to enter in its Estimates considerable sums which, during the currency of the year, it finds that it desires to expend, it is obvious that the calculations of the Government of India, which were made on the data furnished to it in the Estimates, may be very seriously vitiated, and its ways and means may be subjected to no little derangement. All that is asked of Provincial Governments is, that they should forecast and enter their requirements in their Estimates, and this is merely requiring them to observe a well-known rule of public finance, a rule the importance of which local authorities may be led to overlook in consequence of their freedom from the responsibilities involved in providing for ways and means. All that is reserved by the Government of India is, that in the event of Provincial Governments failing to give the intimation required it will not undertake, as a matter of course, to find supplementary ways and means wherewith to meet, during the currency of a given year, the requirements of which it was not warned at the prescribed time.

54. I pass to an examination of the results of the recent revision. It should be premised that this revision has been preceded by enquiries on the part of the Finance Committee of a far more searching nature than those which accompanied previous settlements. The Committee had time and opportunities for enquiry which were beyond the reach of the Government of India on previous occasions, and the ability and local knowledge of the members of the Finance Committee enabled them to make the fullest use of the opportunities furnished them, and to throw light upon the details of Provincial administration which in the interests of efficient and economical government will be of the greatest use in future. If any of the new contracts prove difficult to work, there should be no difficulty in ascertaining where the weak point lies, and in disposing of it more summarily and effectively than was possible under former contracts.

Results of the recent revision of the Provincial Contracts.

55. The principal heads of revenue, under which increases have accrued to the Local Governments, are Land Revenue, Stamps and Excise. The following figures compare the standard at which the Land Revenue was calculated in 1882 and the standard which it is now estimated to have reached :—

Comparative Statement of Land Revenue in 1882 and 1887.

	Amount in 1882.	Amount in 1887.	Increase.	Provincial Proportion of assigned revenue.	Provincial Increase.
	£	£	£		£
Central Provinces	607,300	611,800	4,500	·49	2,200
Burma	1,140,000	1,154,200	14,200	·33	4,700
Assam	387,600	423,000	35,400	·63	22,300
Bengal	3,765,000	3,825,000	60,000	·32	19,200
North-Western Provinces	5,765,000	5,797,000	32,000	·25	8,000
Punjab	2,100,000	2,180,000	80,000	·41	32,800
Madras	4,510,000	4,536,700	26,700(a)	·29	7,750
Bombay	3,115,000	3,280,000	165,000	·60	99,000
TOTAL	21,389,900	21,807,700	417,800	...	195,950

(a) This cannot be taken as an accurate statement of the increase of Land Revenue in Madras, as the estimate £4,510,000 for 1882 includes at least £50,000 a year of arrears of which the collection has now come to an end.

56. Under Stamps and Excise, the following figures compare the totals of the revenue of 1881-82 and of 1886-87:—

Comparative Statement of Stamps and Excise, 1882 and 1887.

	1881-82.			1886-87.			Improvement.	
	Stamps.	Excise.	Total.	Stamps.	Excise.	Total.	Total.	Provincial Share.
	£	£	£	£	£	£	£	£
Central Provinces	113,505	185,748	299,253	140,000	250,000	390,000	91,000	45,500
Burma	78,456	218,525	296,981	93,800	221,600	315,400	18,400	9,200
Assam	62,250	195,634	257,884	77,500	223,000	300,500	42,600	21,300
Bengal	1,139,164	855,278	1,994,442	1,345,000	992,600	2,337,600	343,100	171,550
North-Western Provinces	535,570	369,114	904,684	625,000	540,000	1,165,000	260,300	130,150
Punjab	326,526	110,721	437,247	347,500	136,000	483,500	46,200	23,100
Madras	546,990	627,888	1,174,878	580,000	880,000	1,460,000	285,100	142,550
Bombay	421,536	549,839	971,375	458,000	910,500	1,368,500	397,100	198,550
Total	3,223,997	3,112,747	6,336,744	3,666,800	4,153,700	7,820,500	1,483,800	741,900

57. Under other heads there are similar though smaller increases of revenue, of which it is not necessary to give any detail; but of the whole increased resources of the Local Governments, a considerable amount has been appropriated during the currency of the expiring contracts to growing Provincial demands, and there remained to be dealt with only the balance which, on investigation, was deemed to be not required for local needs. Leaving out of consideration the special contributions in 1886-87 from the Governments of the Central Provinces, Assam, Madras, and Bombay, the amount resumed is in all the annual sum of £640,100, and the following statement compares the resumption with the increase coming in under the main heads of Revenue:—

Comparative Statement of Annual Revenue, 1882—87, and effect of the recent revision on Provincial resources.

	Increase of annual resources under the principal Revenue Heads as estimated on comparison of 1882 and 1887.			Amount by which annual Provincial resources are reduced by revision.
	Land Revenue.	Stamps and Excise.	Total.	
	£	£	£	£
Central Provinces	2,200	45,500	47,700	15,600
Burma	4,700	9,200	13,900	.....
Assam	22,300	21,300	43,600	24,600
Bengal	19,200	171,550	190,750	103,600
North-Western Provinces	8,000	130,150	138,150	100,000
Punjab	32,800	23,100	55,900	.....
Madras	7,750	142,550	150,300	174,400
Bombay	99,000	198,550	297,550	221,900
Total	195,950	741,900	937,850	640,100

Assignment of increase of annual resources between 1882 and 1887 between Imperial and Provincial Governments.

58. The figure of £174,400 resumed in the case of Madras should be reduced, for purposes of comparison, by £50,000, which represents the resumption in the present arrangements, according to agreement between the Government of India and the Madras Government of a special grant made to the latter for special purposes and for a limited time, some time after the first contract was concluded. Besides this, as explained in the note under the first of the two statements on the preceding page, the annual increase of the Provincial share of Land Reve-

nue in Madras is itself much understated in the above figures. Of the total increase, therefore, it may be said that less than two-thirds have gone to the Imperial and the rest to Provincial Governments.

59. It will be observed that no resumption has been made in the case of Lower Burma or of the Punjab. In the last case the revenues, for reasons which need not be dwelt upon here, but which have been pressed on the attention of the local Government, have not made the same advance as in other Provinces, and the Government of India has conceded during the term of the late contract an increase of about £30,000 to the original assignment. In Burma the contract of 1882 has not worked successfully; the expenditure soon began to overpass the limits of the revenue; and during the last three or four years the Government of India has had to supplement the provincial resources by grants of four or five lakhs a year. No new contract is made with Burma in the same sense as with other provinces, its present somewhat abnormal condition rendering it inadvisable to conclude at this time financial arrangements which will necessarily affect the administration for the next five years. The Government of India has added to the existing provincial resources of Burma a grant of four lakhs, which may be considered to represent its present condition of deficit, and another lakh out of the surplus it has obtained from the revision of the contracts of other provinces. During the ensuing year, it is hoped that the terms of a new contract, to commence from 1888-89, may be concluded.

No resumption of Revenue in the case of Lower Burma and the Punjab.

60. By the revision of the Provincial Contracts therefore the financial position of the Government of India has been improved by £640,100, subject to the deduction of £10,000 conceded to Burma, and also to some other reservations, which will not, however, greatly diminish the ultimate measure of the gain. Local Governments, on the other hand, will have the benefit of their allotted share in the increase of revenue during the term of the contract above the amounts estimated above, and, with some reserves, of the retrenchments of expenditure which have been suggested to them by the Finance Committee.

Amount of increase to Imperial Revenues through revision of Provincial Contracts.

61. The reservations to which, as just observed, the amount of £630,000 is subject are as follows. First of all, the break-down of an important aqueduct in the canals of the North-Western Provinces at present diminishes the irrigation revenue of that province of about £60,000 a year, and two years more will pass before by restoration of the aqueduct the revenue of the provinces reaches its proper standard. For the first year of the contract therefore the Government of India has to forego £60,000, for the second £50,000, and for the third £10,000 of the full demand of £630,000. To Bengal also special grants have to be made of £30,000 for the completion of the Orissa Coast Canal, and a further amount for the purchase of a new Pilot Brig. On these and other accounts therefore the gross amount of £630,000 may be said to be liable to deduction of an amount which spread over the five years of the contract may average £60,000 or £70,000 a year.

Deductions from the above increase.

62. The comparative statement of the results under the principal heads of Provincial expenditure which I now give will shew what is the amount at which under those heads expenditure has been calculated for the purposes of the new Provincial Contracts, and what was the scale in previous years. The comparison proves that, except as regards Public Works, there has been no reduction. It is obvious that if, as cannot be questioned, a revised scale of expenditure is necessary under the new contracts, it is in Original Public Works that it may, in the first place, be sought with the least inconvenience to administration.

Comparative expenditure under certain heads, 1882-83 and 1887-88.

In Land Revenue (District administrative charges)—

1882-83.	1883-84.	1884-85.	1885-86.	1886-87. (Revised).	New Contract.
£	£	£	£	£	£
2,464,946	2,670,234	2,688,012	2,691,676	2,712,400	2,789,100

This last figure includes Survey charges, aggregating £110,000, which have been transferred to Provincial Governments, and deducting these the scale of expenditure under the new contracts, stated for comparison with the former scale, would be £2,679,100.

Under the general administrative heads, *viz.*, Administration, Law, Justice, Police, and Marine, the figures are as follows:—

1882-83.	1883-84.	1884-85.	1885-86.	1886-87. (Revised).	New Contract.
£	£	£	£	£	£
6,232,766	6,351,171	6,473,199	6,496,452	6,578,300	6,534,600
In Medical, Scientific and Minor Departments, we have—					
£	£	£	£	£	£
694,111	710,485	718,503	724,810	702,000	729,400
In Education—					
£	£	£	£	£	£
733,579	757,997	801,202	795,089	840,800	803,600

But in addition to this last grant of £803,600, a further assignment has been made, in the case of Bombay, which enables it to increase its educational grants to Local Funds from £22,000 to £30,700; so that the grants under the new Contract should, for purposes of comparison with former figures, be stated at £812,300 rather than at £803,600.

The expenditure under Public Works shews considerable contemplated reduction. But, in judging of these reductions, it must be borne in mind that the first years of the late contract were those in which the refunds to Provincial Governments of the contributions made to the Government of India during the Afghan war, and the balances which had accumulated during the period of enforced economy necessitated by the continuance of that war, permitted a scale of expenditure very largely beyond what the normal annual Provincial resources could have provided. On the other hand, 1885-86 was a year of restricted expenditure, and was the commencement of the time of retrenchment in which we are likely for some time to find ourselves. For comparison, therefore, with the circumstances of the present time it gives a more appropriate standard than earlier years. The expenditure of the past five years and the assignment on which the new contract has been based are shewn below; but the latter amount takes no account of the further resources available from balances which, as I shall explain, stand to the credit of the majority of the Local Governments:—

£	£	£	£	£	£
2,304,798	2,131,812	2,001,168	1,708,305	1,963,900	1,604,100

Balances remaining to credit of Local Governments.

63. The following statement shews the balances of unspent revenue of past years which the various Provincial Governments will have at their credit on April 1st, 1887, and which are available for expenditure subject to the orders quoted in the Financial Statement for 1884-85, paragraph 109 requiring them not to reduce their available balances below a certain prescribed minimum:—

	Estimated Balance on April 1887.	Prescribed Minimum.	Available Excess.
	£	£	£
Central Provinces	162,600	80,000	82,600
Burma	...	60,000	...
Assam	60,400	50,000	10,400
Bengal	126,300	200,000	...
North-Western Provinces	330,400	200,000	130,400
Punjab	134,700	100,000	34,700
Madras	387,800	200,000	187,800
Bombay	496,800	200,000	296,000

64. We have also, in connexion with these proceedings, made a supplementary contract with the Central Provinces for the conduct of its settlement operations, a new and productive kind of expenditure which we should have had to provide for in any case. The grant is £40,000 the first year and £25,000 the last year, and averages £30,000.

Special grant to Central Provinces for settlement operations.

65. The amount resumed during the first year of the contract may therefore be taken as follows :—

Amount resumed during first year of Contract.

	£	£
Total amount		630,000
Deduct grants as follows :—		
To Bengal for Orissa Coast Canal	30,000	
For new Pilot Brig	10,000	
To North-Western Provinces, for deficiency of Irrigation Revenue	60,000	
To Central Provinces for Settlement	40,000	
		140,000
Net amount		490,000

66. The following statement showing an Imperial gain under Revenue heads of £215,000, and under Expenditure heads of £395,000 (Total £610,000) may be set forth as the general effect of the Revision upon the Imperial column in the Budget account of 1887-88 : the omission of some smaller items accounts for the difference between this total and the whole amount of £630,000.

Detail of Imperial gain under Revenue and Expenditure.

Revenue.	Imperial Share. Increased.	Imperial Share. Decreased.
	£	£
Land Revenue	437,500	...
Stamps (share reduced from one-half to one-quarter)	...	810,000
Excise (share increased from one-half to three-quarters)	947,500	...
Salt Revenue of Burma Imperialized	5,000	...
Customs Revenue of Burma Imperialized	155,000	...
Assessed Taxes—divided in moieties	...	290,000
State Railway Gross Earnings—		
Nagpur-Chhattisgarh, Patna-Gya, Cawnpore-Achneyra, Imperialized	310,000	...
Eastern Bengal, Provincialized	...	540,000
Total	1,855,000	1,640,000
Net Gain of Imperial Revenue	215,000	

Expenditure.	Imperial Share. Increased.	Imperial Share. Decreased.
Land Revenue, entire provincialization of Survey and Settlement	...	145,000
Salt in Bombay Imperialized	90,000	...
Customs in Bombay do.	50,000	...
State Railways—		
Working Expenses—		
Provincialized	...	305,000
Imperialized	215,000	...
Interest—		
Provincialized	...	70,000
Imperialized	65,000	...
Irrigation Provincialized—		
Bengal	...	65,000
Madras	...	230,000
	420,000	815,000
Net gain to Imperial Account	395,000	

67. It has, I trust, been made clear, in the course of these pages, that in the

recent settlement of the contracts the Government of India has scrupulously maintained itself within the lines laid down in 1876, 1877, and in 1882. It has exercised no powers which were not then indicated; it has claimed no concession which it then abandoned. At a time of financial difficulty, it has been compelled to use its powers with more discretion than was necessary on the last occasion; but it has not had recourse to any which at that time were not exercised. If it has apportioned the assignments of revenue to the several Provinces on the basis of past experience and on an estimate of their immediate requirements rather than on a review of what are believed by local authorities to be the special claims or conditions or future needs of each Province, it has done so upon grounds laid down on previous occasions as being those only which the limits of its finances permit. The words of Lord Mayo and Sir John Strachey, in their speeches of April 6th, 1871, and July 27th, 1872, are as applicable now as they were at the time they were spoken. "Had we entered on a minute inquiry," Lord Mayo said, "as to the precise amount which should be given to each Government in proportion to their revenue and population, or in respect to the area or requirements of each Province, such an enquiry must last for a considerable time; and we were not at all convinced that, even if such an enquiry had been entered upon, the result would be more satisfactory than the basis which we adopted, *viz.*, that of grants for the past year. These grants have ever been made on the consideration only of our power to give, and of the wants of each Province; and I believe that any more minute enquiry than that would have only led to failure." "The Empire," Sir John Strachey added, "must be treated as a whole; not as a collection of separate and semi-independent States." It was necessary that, on the present occasion, the past history of the whole question should be traced and made clear, because it may be held, in view of the measures of economy associated with the late settlements, that in some indefinite way the Government of India has, on the present occasion, entered on a retrograde policy. So far is this from being the case, that the Government has sought, and is still engaged in the effort, further to increase the number of the branches of the administration the revenues and expenditure of which are assigned to Provincial Governments. The Government of India has dealt with the present occasion under the influence wholly of the considerations explained in the foregoing pages. One direction in which it seems possible that the system might with advantage be modified, should experience show that the new contracts work well, is in extending the term of five years, which at present prevails. It would be premature to express as yet any very positive opinion upon this point. It is one on which the experience gained during the contracts should enable definite conclusions to be formed, to which effect can be given at any time during the next five years.

Recapitulation.

Famine Insurance Grant.

68. The second measure, to which we have had recourse in order to maintain the equilibrium of our finances, has been the debiting to loan, either wholly or in part, of that portion of the expenditure incurred in the direct construction of railways, which in late years has ordinarily been charged to our revenues; and the withholding of the grant, which has been similarly assigned from revenues in reduction of the sum which it is necessary for us annually to borrow for the construction of railways. The entry under the head of Famine Insurance Grant has been greatly reduced, both in the Revised Estimates of 1886-87, and in the Budget Estimates of 1887-88; in the former it has not been necessary to devote to other expenditure the entire sum available under the head of Railways, but in the latter year (excepting the portion allotted to Irrigation), the grant has been entirely absorbed.

69. It is necessary in the first place to shew what has been effected by the

operation of the funds assigned from revenues to the construction of railways and the extinction of loan. The following paragraphs are repeated from the Financial Statement for 1886-87, the figures being altered so as to be brought up to date:—

"The portion of the revenue set aside to meet the cost, direct and indirect, of famine was first devoted to specific purposes, and shewn separately in the accounts, in the year 1881-82. From 1881-82 to the close of the current financial year 1886-87 the aggregate of the sums spent under Famine Relief and Insurance, comes to £7,946,928, which has been devoted to the following objects:—

	£
Famine Relief	114,836
Protective Railways	2,933,979
" Irrigation	1,233,268
Reduction of Debt	3,664,845
TOTAL	7,946,928

"A more important question, however, than the specific allotment of the grant in recent years is the extent to which the Government has in practice succeeded in reducing the charge for debt since the policy of increasing the revenues for the purpose of meeting the cost of famine was first originated. The increase of the revenues necessarily improves the position of the finances *pro tanto*, but in judging of the general effect of the policy of Government many other considerations require to be taken into account. A deficit sooner or later increases the charge for debt, a surplus reduces it.

"The fall in exchange has tended steadily to increase the burden of the gold debt on the revenues of India; the construction of Productive Railways and Irrigation Works from Revenue practically reduces the burden of the ordinary debt. The vital question is whether the burden of the debt to balance which great Public Works of a permanent nature cannot be shewn, has increased or diminished. The publication of the accounts of past years in the new form enables us to answer this question with comparative ease.

"In 1877-78 the total interest charge on debt of all kinds stood as follows, including exchange:—

	£
Interest on ordinary debt uncovered by Public Works	4,799,448
" on debt balanced by capital expenditure of a corresponding amount on Railways	703,753
" on debt balanced by capital expenditure of a corresponding amount on great Irrigation Works	621,822
TOTAL	6,125,023

"For 1886-87 the account is as follows:—

Interest on ordinary debt uncovered by Public Works	3,943,600
" on debt balanced by capital expenditure of a corresponding amount on Railways	3,189,200
" on debt balanced by capital expenditure of a corresponding amount on great Irrigation Works	994,300
TOTAL	8,127,100

"These figures shew that, notwithstanding the fact that the fall in exchange has added largely to the burden of the interest charge on the gold debt of India, the charge for debt, which is uncovered by great Public Works, has been reduced since 1877-78 by £855,848."

70. It will in the next place be seen from the figures in the margin that since the commencement of the year 1877, when the Famine Insurance Scheme was introduced, there have been completed (apart from frontier lines, and from railways in Burma) either by the Imperial or Local Governments directly, or through the agency of construction and working Companies, 4,199¼ miles of State Railway, for the most part running through provinces exposed to famine. Of this mileage, 2,924¼ are under the control of the Central Government; 1,275¼ miles have been constructed in whole or in part from Imperial Funds and made over to the control of Provincial Governments, or have been constructed by the aid of Provincial balances. Besides this length actually completed, 1,354¼ are in course of active construction on behalf of the State by Companies, including 361 which will be opened within a few months. The total mileage, therefore, for construction of which, in one form or another, obligations have been incurred in pursuance of the policy of protection of the country against the risk or effects of famine since 1877, is 5,554. The years in which the Famine Insurance Grant has been employed in furthering the construction of Famine Railways, whether directly or indirectly, have contributed from that source the amount shewn in paragraph 69, *viz.*, £6,598,824 to the results above exhibited.

Extension of Famine Railways since 1877.

STATE RAILWAYS. MILEAGE COMPLETED.		31st December 1876.	31st March 1887.	Opened during the ten years.
(A.)—Imperial.				
Worked by State	North-Western	766¼	1,567¼	
	Eastern Bengal	159	234¼	
	Wardha Coal	18½	46¼	
	Bilaspur-Etawah	...	37	
	Bengal-Central*	...	125¼	
	TOTAL	944¼	2,011¼	1,067
Worked by Companies.	East Indian	1,503¼	1,518½	
	Rajputana-Malwa	507½	1,413½	
	Sindia	..	74¼	
	Dhond-Manmad	...	145¼	
	Southern Mahratta	...	673¼	
	Indian-Midland	...	42	
	TOTAL	2,010¾	3,868	1,857¼
(B.)—Provincial.				
Worked by State.	Tirhoot	45	246	
	Northern-Bengal	...	286	
	Dacca	...	85½	
	Assam-Behar	...	37	
	Nagpur-Chhatisgarh	...	149	
	Amritsar-Pathankote	...	65	
	Cherra-Companygunj	...	7½	
	Jorehaut	...	31¼	
		45	907¼	862¼
Worked by Companies.	Patna-Gya	...	57	
	Dildarnagar-Ghazipur	...	12	
	Bareilly-Phillibhit	...	36	
	Cawnpore-Achnera	29	253¼	
	Lucknow-Sitapur	...	83½	
	TOTAL	29	441¾	412¾
				4,199¼
MILEAGE UNDER CONSTRUCTION. *(a)—Imperial.*				
State	Eastern Bengal		2¼	
	Bellary-Kistna } Will open early in 1887-88		278	
	Cuddupah-Nellore } Will open early in 1887-88		83	
Companies.	Southern Mahratta		92¼	
	Indian-Midland		562¾	
	Nagpur-Bengal, excluding conversion Nagpur-Chhatisgarh		110	
	Bezwada to Frontier		32	1,354¼
(b)—Provincial.				
State	Tirhoot		27	
	Assam-Behar		118½	
	Cherra-Companygunj		8	
	Lucknow-Sitapur		40½	

* Worked by State on behalf of Company.

71. We are now in a position to approach the immediate question before us with adequate information as to the results achieved since 1877 with the aid of the Famine Insurance grant. The decision to which we have come has, from a purely Resource point of view, no importance whatever. Apart from peculiar considerations to which I will refer, it is admittedly a mere question of account. This is obvious on a moment's consideration. If for example, in 1886-87 we maintain the contribution from our revenues towards the construction of railways, our expenditure on account of administrative requirements exceeds our receipts by £1,049,400, and that is the deficit which we must provide from borrowed money. If, on the other hand, we omit from the charges against Revenue this sum of £1,049,400 on ac-

count of railways, we have an equivalent sum available to meet administrative charges, and we have no deficit; but, in such case, we must debit an equivalent charge for construction of railways to loan. In either case it will be seen that the amount which we have to borrow is precisely the same; whether on the one hand we borrow on account of our railways, or, on the other hand, to make good the sum of a deficit. We have had to ask ourselves therefore—Is it more expedient to enter in our accounts under the head of Famine Insurance Grant the expenditure of late years customarily so shewn, and thereby to encounter the risk of exhibiting a deficit; or is it better to avoid or to lessen the amount of deficit, by debiting to loan the amounts hitherto debited to revenue under the head of Famine Insurance Grant? I do not think that, in ordinary circumstances, there could have been any hesitation in excluding grants for railway construction from charges against our revenues, when we have no surplus of revenue wherewith to meet them. But there are considerations connected in the present instance with this particular question, to which I have referred above, and which may lead some to think that, in following on the present occasion the more obvious course, we are evading obligations which were formerly undertaken, and are breaking faith with the public in a matter which preceding Governments have surrounded with certain pledges and guarantees. It is necessary that I should explain why the Government has come to the decision which I have stated, and the reasons for which it believes that any other would have been inconsistent with the public interests.

Nature of the question

72. No useful end would be gained for our present purpose by entering into a discussion of the views and objects with which the Famine Insurance Scheme was originally launched in 1877. During the nine years which have elapsed, experience has thrown its light on the merits of the scheme, which has passed through various phases. A variety of explanations have been given as to the modes in which it might be considered to be effective; but our immediate business is with that form alone in which we now find it, and in which, for the last five years, it has existed. The scheme aims at present (apart from the question of funds devoted to Irrigation, with which we do not propose to interfere) at providing from surplus revenues £500,000 annually for the construction of what are known as famine railways, and a further annual sum of £750 000 in reduction of the total sum which, under existing arrangements, we annually borrow for the completion of our famine railways. The scheme is therefore based on the assumption that we have a surplus. But a surplus cannot be used unless it exists; and if our current expenditure exceeds our revenue, the surplus is wanting. We have then before us the choice of three courses. We may impose fresh taxation or enforce retrenchments, in order to reproduce the required surplus; or we may put a stop altogether to the expenditure to which we have been devoting the surplus; or we may debit to Loan the expenditure which has been met from our surplus. So far as the first of these courses is concerned, it is well known that we have used and are likely for some considerable time to be engaged in every effort of which we are capable. What we have done in regard to Provincial finance has been explained in this Statement. A great body of enquiry and suggestion emanating from the Finance Committee and connected with expenditure in the Departments of the Government of India is before us, and will continue throughout at least the ensuing financial year to occupy our best attention. But whatever effort we may have made or may make in this direction will not produce the requisite surplus, either in 1886-87 or in 1887-88, and if it is considered necessary to provide the revenues required for the Famine Insurance Grant there is no way of providing them other than by increase of taxation. It is very desirable that we should have a surplus which we may employ in railway construction; but to raise fresh taxes at present in order to create a

Present form of the Famine Insurance Grant alone to be dealt with

Surplus necessary to the assignment of the grant

surplus with the especial object of granting it to railway construction is a course to which there is obviously great objection. On whatever other points difference of opinion may exist, on the expediency of increasing taxation there is probably little or no disagreement. Whatever strength, moreover, there might be in the arguments for increase of taxation may be said to disappear before the consideration that loss of the requisite surplus does not arise from circumstances inherent in or inseparable from the condition of our finances themselves. We may, on the contrary, (with all necessary reserves as to the course of exchange,) hope that when the necessity ceases for making extraordinary provision for the operations in Upper Burma now on our hands, the surplus from which we desire to continue, directly or indirectly, to furnish funds in aid of railway construction will re-appear. In the circumstances inseparable from British rule in India, it will be probably admitted by all to be inexpedient to impose fresh taxation solely with the object of providing the surplus contemplated by the Famine Insurance scheme, during a period of deficit which may in great measure be traced to temporary war expenditure

Provision of surplus by taxation inexpedient, and impracticable from retrenchment.

73. Assuming, therefore, that neither by retrenchment nor taxation is it practically possible to us to provide the desired surplus, there is the alternative of putting a stop altogether to expenditure to which that surplus has been applied. The expenditure, it is well known, is incurred in the construction of railways, having for their primary and special object the prevention of famine, or the mitigation of the disastrous consequences both to human life and to the public revenues arising from famine. To have checked the works in progress in 1886-87 and in 1887-88 because we could not furnish the necessary sums from revenue, and must in a corresponding measure have recourse to loan, would have been to subordinate our end to our means; and in the event of our being overtaken by a fresh famine such a decision would contribute to bring about, in greater measure, the evils which we are seeking to avoid. I have shewn that considerable progress has been of late years made in the construction, whether directly by Government or under guarantee, of famine railways. The necessity imposed, however, on the Government of vigorously pushing forward its scheme of frontier railways has in a measure interfered with the prosecution of famine lines; and it is the more important that the work now in course of execution on these lines should not be interrupted. There remains the third course, *viz.*, to debit temporarily to loan, until our surplus is reassured, the expenditure which, under the head of Famine Insurance, has been met from our surplus revenues. This is the alternative which the Government, on a careful review of all the circumstances of the case, has decided to adopt. Rejecting, for the reasons above given, the two former of the courses which have been indicated, the Government has decided to debit to loan, during the years 1886-87 and 1887-88, so much of the sums which, under the ordinary operation of the Famine Insurance scheme, would be provided from Revenue for purposes of railway expenditure as it required to meet charges of administration. But it is not on that account prepared to delay the execution of the projects in which it is at this time engaged. In 1886-87 we have taken £1,049,400 from the Famine Insurance Grant, and in 1887-88 £1,248,000, which amounts will practically be added to the annual borrowings otherwise necessary.

Discontinuance of railway construction to the amount furnished by the Famine Insurance grant—why unadvisable.

Course actually adopted, and reasons for adoption thereof.

74. There is a point of view from which it has been urged that the scheme of famine insurance continues to be in force, although we have no surplus, but a deficit. If we have not, for example, the surplus sum necessary for the direct operation of the scheme, we have at least the sums which, if they no longer provide surplus, diminish *pro tanto* our deficit, and therefore the amount which at the end of the year we should require to make good from loan. It may, in accordance with this line of reasoning, be contended that, although

Examination of argument for maintaining the Famine Insurance Grant in the Estimates, though there is no surplus.

financially considered it makes no difference what course we pursue, it would be desirable, although at the cost of a deficit, to continue to shew in our accounts the customary charges under the head of Famine Insurance Grant. The revenues especially raised in a state of surplus with the object of providing for the extinction of debt are, it may be said, although we are in deficit, still operating to diminish the increase of debt; by preserving, therefore, the entry in our accounts we obviate the charge of seeking to evade our engagements If we examine carefully, however, this way of looking at the matter, we find that we gain no practical end by maintaining the Famine Insurance Grant on the grounds indicated, other than that of being in a position to affirm that because the Famine Insurance Grant, though not directly operative, operates indirectly in reduction of debt, it is retained in our Estimates. The question is whether, although no financial gain is to be got by so doing, it is desirable, under pain of shewing. deficit, to prove that we may be considered as holding to the letter of what is believed to be our engagements. There are circumstances in which a bolder and more direct course of action, although it may at first sight expose us to misapprehension, is, in the interests of the tax-payer himself, preferable; among them, for example, the circumstances in which we now find ourselves. The more we become involved in deficit, the greater becomes the pressure on us for adopting means of putting an end to it; and it seems, to say the least, doubtful whether, in the absence of any financial gain, we shall be held by the tax-payer rigorously to that method of account which may be thought most consistent with our engagements, if the first result of our complying with his wishes is to bring him within appreciable distance of further taxation. The conclusion of the whole matter seems to be that when we have surplus revenues to devote to railway construction, we should so employ them; but that when we have no surplus revenues, and do not consider it desirable to adopt measures to procure them, we have, as a matter of fact, to fall back upon loan, for the construction of new railways, if we determine to proceed with them; and we shew the facts more accurately by removing the charge to the debt or capital part of our accounts, than by exhibiting it as actually met out of our revenue. The aim of the Government will be to obtain again as soon as possible the necessary surplus, or so much of it as may be available, and to devote it to the purposes to which, under the Famine Insurance scheme, it is assigned.

Reasons for not adopting in 1885-86 the decision now taken.

75. The Government of India, towards the close of 1885-86, when it was evident that a considerable deficit was impending in consequence of the war preparations which had been made in the course of that year, had occasion to consider the expediency of adopting the decision which it has since thought necessary to take. But it could not foresee, when the Revised Estimates of 1885-86 were framed, that the course of events would materially add, during two succeeding years, to our expenditure. Considerations, therefore, which apply to the circumstances of the present time were of less force when considered in connection with the situation as it appeared in 1885-86. It would have been inconvenient, because it would have exposed us to misconstruction, if we had hastened on the circumstances of a single exceptional year to make a change in our accounts. An important element in the treatment of this question has been the greater or less period during which we might expect to be in deficit. Arrangements, therefore, which it was decided not to adopt in the presence of what seemed the temporary difficulties in 1885-86, required to be reviewed and modified, when the strain upon our finances becomes, from circumstances at that time unforeseen, more prolonged. To have left matters alone for a succession of two or three years might have led, as has been explained, to misconception as to the true nature of our financial position, and to the probability of the extent and importance of its difficulties being exaggerated.

Income Tax.

76. The following figures give the results, so far as the Revised Estimates shew, of the assessment of the Income Tax, to which I now turn:

	1885-86.	1886-87, Budget.	1886-87, Revised.	1887-88.
	£	£	£	£
India	106	274,200	197,000	200,400
Central Provinces	23,207	38,400	38,400	40,000
Burma	...	...	...	...
Assam	5	18,000	19 000	20,000
Bengal	153,385	360,000	361,400	379,600
North-Western Provinces	119,326	205,000	220,000	231,000
Punjab	37,999	90,000	93,900	99,000
Madras	43,368	130,000	123,400	126,000
Bombay	125,638	342,500	295,000	310,000
TOTAL	503,034	1,458,100	1,348,100	1,406,000

77. It will be seen that the receipts are £1,348,100 against an estimate of £1,458,100, the difference being mainly due to a decision of the Secretary of State by which Income Tax is assessed on the surplus profits of Guaranteed Railways and not on their net earnings. The Budget Estimate for 1886-87 included £185,600 under Assessed Taxes for Income Tax on net earnings of Guaranteed and other Railways, but in the Revised Estimates £14,800 only are taken as Income Tax on surplus profits of Guaranteed Railways, the difference, £170,800, may therefore be said to have been written off in 1886-87. As, however, the share of the Government in the Income Tax on the net earnings of the Guaranteed and State Railways is £131,980, the loss on account of Income Tax as the figures below shew is merely nominal to this extent; the real loss is merely the excess of £53,620, the share of Income Tax falling upon Companies over the £14,806 which they have had to pay.

	Government.	Company.	TOTAL.
	£	£	£
East Indian	63,200	15,800	79,000
Oudh and Rohilkhand	5,000	.....	5,000
Madras	8,500	.....	8,500
South Indian	4,000	.....	4,000
Great Indian Peninsula	23,500	23,500	47,000
Bombay, Baroda and Central India	10,000	10,000	20,000
Rajputana-Malwa	16,000	4,000	20,000
Patna and Gya	688	172	860
Sindia	528	132	660
Ghazipur-Dildarnagar	64	16	80
Southern Mahratta	500	.....	500
	131,980	53,620	185,600

78. No further particulars can be given at present as to the working of the Tax, but care will be taken to obtain full reports during the ensuing year. It will be seen that in Bombay and Madras the decrease is rather considerable, but in the case of Bombay it is due to the ruling about railways above referred to. There will be some reduction next year in the expenditure on account of the working of the Tax which is shewn in the Budget Estimate of 1887-88 at £19,100, the total estimated cost being £33,600 against £52,700.

79. In the following statement are shewn the net gain and loss on State and

Guaranteed Railways from 1885-86 to 1887-88, and the expenditure on Railways on State responsibility during the same period :—

Net Gain and Loss on State and Guaranteed Railways, from 1885-86 to 1887-88.

	Actuals, 1885-86.	Budget Estimate, 1886-87.	Revised Estimate, 1886-87.	Budget Estimate, 1887-88.
STATE RAILWAYS.	£	£	£	£
Net Revenue	5,252,756	5,489,900	5,681,400	5,729,000
Less—Interest and annuity .	4,661,916	5,849,800	5,922,000	6,145,900
„ Surplus profits . .	195,957	217,500	245,000	241,500
Net gain .	394,883	—577,400	—485,600	—658,400
GUARANTEED RAILWAYS.				
Net Revenue	3,725,075	3,133,500	3,552,500	3,515,000
Less—Interest and surplus profits	4,628,836	4,008,400	4,244,800	4,240,300
Net loss .	903 761	874,900	692,300	725,300
Net loss to State .	508,878	1,452,300	1,177,900	1,383,700

State and Guaranteed Railways.

NOTE.—Excludes Mysore Railway.

Expenditure on Railways from 1885-86 to 1887-88 on State responsibility.

	Actuals, 1885-86.	Revised Estimate, 1886-87.	Budget Estimate, 1887-88.
(1)—DIRECTLY EXPENDED BY GOVERNMENT.	R	R	R
Expenditure on Railways not charged against Revenue	4,71,28,261	5,17,15,000	4,29,42,000
Construction of Protective Railways . .	50,00,000	20,00,000	..... *
Construction of Railways (charged against Revenue in addition to that under Famine Insurance)	63,20,555	18,79,000	7,50,000
Total .	5,84,48,816	5,55,94,000	4,36,92,000
(2).—EXPENDITURE BY COMPANIES ON THE RESPONSIBILITY OF GOVERNMENT.†			
Guaranteed Railways	1,67,25,362	59,61,000	1,66,97,000
Southern Mahratta Railway	1,22,43,684	1,65,09,000	78,23,500
Indian Midland Railway	80,98,585	1,63,27,000	2,32,42,500
Nagpur-Bengal Railway	.....	.....	75,00,000‡
Total .	3,70,67,631	3,87,97,000	5,52,63,000
GRAND TOTAL .	9,55,16,447	9,43,91,000	9,89,55,000

NOTE.—*This statement excludes the Mysore Railway.*

* The grant under this head has been suspended for 1887-88, a corresponding increase being allowed under the head "*Capital Expenditure on Railways not charged against Revenue.*"

† The final estimates of expenditure in England received from the India Office give the estimated outlay in a lump sum. An approximate distribution has been made here.

‡ This is a rough estimate of the outlay likely to be incurred by the Company during the year. It does not provide for the refund to the State of the outlay incurred to close of 1886-87. It is not known on what terms the Company will take over the existing line.

Sterling has been converted at the rates used in the estimates in all the above figures.

80 The net loss of £485,600 in the Revised Estimates of 1886-87 has, in the Budget Estimate of 1887-88, increased to £658,400 on account of State Railways, the net loss on Guaranteed Railways being slightly increased also. As long as State Railways are being actively constructed net loss must be expected; this formed the subject of remarks in the Financial Statement of last year, which it is unnecessary to repeat. It may be hoped, however, that, with the opening of fresh railways and the gradual completion of those which it is desired to construct, each year will, in future, diminish the ratio of loss.

Army.

81. The Estimates for the Army Services in India are as follows:—

	Revised.	Budget.
Ordinary effective	12,047,930	12,423,697
Non-effective	860,770	866,303
	12,908,700	13,290,000
Add Burma	1,160,000	720,000
	14,068,700	14,010,000

The total Army Estimates, including English charges and exchange, are £19,197,000 against £19,070,600 in the Revised Estimates of 1886-87.

The Budget shews increase under the first head (effective) of £375,767, and under the second (non-effective) of £5,533. Of this increase the sum of £344,984 is part of the £656,900 mentioned in paragraph 36 of the Financial Statement for 1886-87 as being the sum then remaining to be provided for in connection with the increase to the Army.

Opium.

82. In respect to Opium there is little to be said beyond the fact that the crop this year, although apparently a good average, does not promise to be so exceptional as was the case last year, and the expenditure in India on account of opium has accordingly been reduced from £2,782,409 in the Revised Estimates to £2,504,000 in the Budget Estimate of the ensuing year. The reserve at the close of 1887 is expected to stand at 36,705 chests. The price during the ensuing year has been taken at R1,100 per chest. 4,750 chests will be sold each month during 1887; the amount to be sold in the first three months of 1888 will be notified hereafter.

Oscillations of exchange during 1886-87. Rate of exchange taken in 1887-88.

83. It is needless to dwell on the subject of silver. At the present time, a Royal Commission is appointed to inquire into the question, and, among other matters connected therewith, into the difficulties which the uncertainty in the ratio of silver to gold causes to the Indian Government. During the course of the year the instability of exchange was forcibly illustrated. From 1*s.* 6*d.*, the rate taken in the Budget, it had fallen five months later to 1*s.* 4¼*d.*, since when it rose to 1*s.* 6*d.*, and is now below 1*s.* 5¼*d.* It was estimated in the Budget of 1886-87 that £4,778,000 would be the net additional charge on account of exchange. It seemed probable shortly before the six months' estimates were prepared that little less than £1,750,000 would be added. The amount which has actually been charged is £5,252,600, an increase of £474,600. The rate of exchange taken for 1887-88 is 1*s.* 5⅛*d.*

84. The following passage from a memorandum on the loss to the Government of India from a fall in the rate of exchange, prepared last year at my request by Mr. Barbour, Secretary to the Government of India in the Financial Department, explains what would have been the direct effect upon the estimates of 1886-87 of a fall in exchange from 1*s.* 6*d.* to 1*s.* 5*d.* It will be seen that the conclusion is that the additional burden amounts to not less than R1,11,00,783. The calculation does not in any way whatever deal with the consideration of what may or may not be held to be the indirect advantage or disadvantage to the Indian Revenue of a fall in exchange, but confines itself to the direct effect upon the expenditure shewn in the estimates of a fall of from 1*s.* 6*d.* to 1*s.* 5*d.*

"If the Government of India incurs an obligation to pay away every year a certain amount of gold, the extra number of rupees which it may have to give for this gold on any particular date as compared with the number of rupees it would have had to give if exchange had remained the same as when the obligation was incurred, appears to me to be the true measure of the loss by exchange. The Government of India contracts an obligation to find so much gold when that amount of gold can be procured for so many rupees. The relative value of gold and silver alters, and it finds that it takes a larger number of rupees to purchase the gold. The increase in the number of rupees required to meet an obligation contracted under different circumstances is the true measure of the real loss by exchange. To ascertain the total real loss in any year from the fall in exchange, it would be necessary to deal separately with each permanent gold obligation of the Government of India, and to ascertain the additional number of rupees required to meet it, as compared with the number of rupees required for that purpose when the obligation was first contracted. A calculation of this nature would be extremely elaborate and complicated, if not impossible; but we know that the loss by exchange must be very large, as the permanent gold obligations of the Government of India are of great magnitude, and the fall in the rate of exchange has been very great.

Direct effect on the Estimates of the fall of 1d. in Exchange.

"There is, however, no special difficulty in calculating the additional burden imposed on the finances of India by any further fall in the rate of exchange, and if we know what the additional burden is when the rupee falls from (say) 1*s.* 6*d.* to 1*s.* 5*d.*, we shall have a sufficiently accurate means of determining the disturbing effect on Indian finance of fluctuations in the value of the rupee. For the purposes of the calculation in question it is only necessary to ascertain the total net amount of the permanent gold obligations of the Government of India on any date, and to calculate the extra number of rupees required to meet them when the rupee is worth 1*s.* 5*d.* as compared with the number required when exchange is at 1*s.* 6*d.* As the basis of the calculation, the Estimates of the current financial year 1886-87 may conveniently be taken, but in the first instance a few remarks may be made regarding the cost of stores purchased in England. When the rate of exchange is two shillings for the rupee, the Government of India can purchase stores for fewer rupees than it has to pay when the rate of exchange is 1*s.* 6*d.*, provided always that the price of stores does not vary with the rate of exchange. If it be the fact that the prices of English stores vary with the rate of exchange, the lower gold price of commodities in England is *pro tanto* a compensation for the fall in exchange. We know, as a fact, that the gold prices of commodities have fallen more than exchange has fallen, and that the Government of India now obtains English stores for fewer rupees than it used to pay when the rate of exchange was two shillings for the rupee. On the hypothesis that the same cause which has produced the fall in exchange has also produced the fall in gold prices, we may balance the gain from low gold prices against the loss by low exchange, and omit from our calculation the question of loss by exchange in the case of stores.

"The gold expenditure of the Government of India is shewn in the Estimates of 1886-87 at £14,512,900, and deducting the gold receipts (£178,900), we get a balance of £14,334,000 payable in gold. Before calculating the additional number of rupees that must be paid when a fall in the value of the rupee takes place, there should be deducted from this sum the amount payable on account of leave allowances nd pensions fixed in rupees, as there is no increase to the number of rupees paid on account of them, no matter what the exchange value of the rupee may be. The cost of stores should also be deducted, if it be assumed that the fall in exchange is balanced by a fall in the gold price of stores. In some instances stores (*e.g.*, stamps) are provided under a contract extending over several years, and during the period of such contract there can be no reduction in the cost of these stores to Government. We will not, however,

include loss by exchange on these stores, because it may be held that, on the assumption as to gold prices already made, there will be a reduction in the gold payments under any new contract which may hereafter be made.

"The statement in the margin shews that, excluding the expenditure shewn under the Railway Revenue Account, the total sum to be deducted on these two accounts is £1,636,400, and the expenditure on which loss is incurred is thereby reduced to £12,697,600. Of this amount no less than £5,270,800 appears under the Railway Revenue Account, and the loss by exchange on it must, owing to the contract relations that exist between the Government and the different Railway Companies, be calculated separately. There remains the sum of £7,426,800 on which loss by exchange may be directly calculated. The loss on this amount due to a fall in the rate of exchange from 1s. 6d. to 1s. 5d. per rupee is R58,24,941. The loss on the Railway Revenue Account by this fall of 1d. in the rupee has been separately calculated; the details are given below.* The additional cost in rupees comes

STORES (EXCLUDING STORES PURCHASED ON ACCOUNT OF THE WORKING AND MAINTENANCE OF RAILWAYS).

	£
Land Revenue	200
Opium	1,600
Stamps	51,900
Forest	100
Post Office	46,100
Telegraph	100,000
Mint	6,800
General Administration	16,100
Law and Justice	3 0
Marine	140,500
Political	300
Scientific and Other Minor Departments	9,200
Stationery and Printing	88,300
Irrigation	2,100
Military Works	2,300
Public Works Stores	800
Army Stores	714,100
TOTAL	1,180,400

LEAVE ALLOWANCES AND PENSIONS.
(Approximate figures.)

	£
Telegraph Department	7,000
Leave Allowances fixed in rupees	180,000
Superannuation Allowances and Pensions	90,000
Public Works Leave Allowances	30,000
Army Leave Allowances	140,000
TOTAL	456 000
GRAND TOTAL	1,636,400

* Taking the items first on the expenditure side of the Budget for the year 1886-87 *seriatim*, and revising the figures in accordance with a supposed fall of 1*d.*, the consequent loss is shewn as follows:—

	Original Figures.	Revised Figures.	Loss.
State Railways, Working Expenses—			
Imperial	4,868,500	4,911,920	(a)43,420
Provincial	700,600	701,800	(a)1,200
State Railways—Interest—			
Imperial	2,019,400	2,022,223	(b)2,823
Exchange	172,600	213,253	(c)40,653
Annuities in purchase of Railways (Exchange)	575,300	710,624	135,324
Interest on Capital deposited by Companies (Exchange)	103,000	127,235	24,235
Guaranteed Companies, surplus profits, &c.	497,500	495,150	(d)—2,350
Guaranteed Companies, Interest (Exchange)	896,900	1,107,894	210,994
Subsidized Companies, Interest (Exchange)	9,100	11,324	(e)2,224
		Total Loss	458,523

Turning to the Receipts, the only alteration is in—

XXVII.—*Guaranteed Companies Net Traffic Receipts*, under which the figure, £3,133,500, become £3,107,200—Loss £26,300.

The loss is due to the increased rupee price of stores issued to revenue, but as it is calculated on the difference between the actual rate of exchange and the contract rate, and as the difference is paid into the Civil Department, the loss is nominal only

The total loss caused by a fall of exchange of 1*d.* below 1*s* 6*d.* is therefore £458 523.

But of this £44,620 under Working expenses represents increased loss by exchange on English stores consumed during the year.

This loss is to a certain extent compensated by the greater purchasing value of the £ sterling

If we may assume that prices fall sufficiently in England to cover the fall in exchange, the real loss would be reduced to £413,903.

(a) The increase represents the increased rupee value of stores issued on Revenue Account.

(b) The loss of £2,823 is due to the larger rupee debit to the Capital Account during the year calculated on outlay in England.

(c) The loss of £40,653 is due to the larger remittances to cover interest on the debentures of the East Indian Railway, the Eastern Bengal Railway, and the Sind, Punjab and Delhi Railway.

(d) This gain is consequent on the increased charge to working expenses.

(e) This loss may eventually be recovered from the Companies.

to R41,39,030, or to R45,85,230 if English gold prices do not fall in proportion to the fall in exchange.

"The pay of the European troops serving in India is fixed in sterling by Royal Warrant, but is paid in rupees, the amount of each sterling payment being converted into rupees at, approximately, the current rate of exchange. The calculation below * shows that the loss on this account due to a fall in exchange from 1*s.* 6*d.* to 1*s.* 5*d.* amounts to R11,36,812.

"There will also be found in the Estimates of 1886-87 under the head '31, Exchange' an item of expenditure amounting to R13,77,000. This item represents the net result in connection with exchange transactions on account of (1) Capital of Guaranteed Railways; (2) Capital of the Southern Mahratta and Indian Midland Railways; (3) Remittance on account of Railway stores, and Civil and Military transactions; and (4) the 4 per cent. Loan of 1854. The gain by exchange under (1) and (2) arises from the fact that capital provided in sterling by the Companies concerned is brought to account in rupees at certain contract rates, instead of at the actual rate of the year. The capital has also to be repaid at, practically, the contract rates, and the gain on the capital when received may be balanced against the probable loss when repaid, and the item omitted altogether from the calculation.

"The same course may be followed as regards (3). The loss or gain is mainly due to the actual rate of the year differing from the rate taken at the beginning of the year, and in a series of years we may take the loss to balance the gain. The loss under (4) is of a special nature, and arises from the fact that a loan of R1,18,81,000 raised in 1854 was, under the conditions on which it was raised, repayable in England at a fixed rate of exchange. The loss by exchange on the repayment is increased by the fall in the rate of exchange that has occurred this year, but similar transactions will not recur in the future, and it might be misleading to show any loss on this account in a calculation which is intended to bring out the permanent yearly loss to the Government of India by a fall in the rate of exchange from 1*s.* 6*d.* to 1*s.* 5*d.* per rupee.

"Taking the sum of the items given in paragraphs 9 and 10, it will be seen that the additional burden imposed on the finances of India by the fall in

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* The pay of British soldiers in India is now issued at the rate of exchange fixed annually by Her Majesty's Government for the payment of troops serving in the colonies. For the year 1884-85, this rate of exchange was fixed at 1*s.* 8*d.* the rupee, which involved an addition of 12½ per cent. to the soldiers' pay and an estimated increase of R18,43,000 per annum to the military expenditure in India.

The rate of exchange for the conversion of the pay of British soldiers in India for 1885-86 was fixed at, 1*s.* 7½*d* the rupee. The expense thus caused [*i.e.*, by the fall of one halfpenny the rupee] amount to R4,00,000.

The continued fall in 1886-87 to 1*s.* 7*d.* the rupee, being the rate fixed for the conversion of the soldiers pay, resulted in a further increase of R5,15,000 to the military estimates in India, a portion of which, however, is due to an increase in the establishment of British troops.

The addition made to the military estimates in India in consequence of falling rates of exchange has been as follows:—

Years.	Rate of exchange fixed for issue of soldiers' pay. Per rupee. *s.*	*d.*	Increase to military estimates. Rs.
1874-75	1	10½	6,40,000
1884-85	1	8	18,43,000
1885-86	1	7½	4,00,000
1886-87	1	7	5,15,000
Total			43,08,000

The rate of exchange for next year, 1887-88, is not yet known, but, judging from the present market rates of exchange, a further increase to the military estimates on this account must be anticipated.

The total amount to be converted into rupees in 1886-87 was £1,449,437 sterling which, at 1*s.* 7*d* per rupee, came to R1,83,08,678. At 1*s.* 6*d.* the total rupee payment would have come to R1,93,25,826, and at 1*s.* 5*d.* to R2,04,62,638.

exchange from 1*s.* 6*d.* to 1*s.* 5*d.* in the present day amounts to R1,11,00,783. If the gold price of stores should not fall, as assumed in the above calculation, a further sum of R13,72,004 would have to be added to the loss by exchange. It may be mentioned that no account has been taken of any possible loss, from a fall in exchange, on the purchase of stores used on Railway Capital Account.

"A further fall in exchange from 1*s.* 5*d.* to 1*s.* 4*d.* per rupee would more than double the loss, as the loss due to a fall from 1*s.* 5*d.* to 1*s.* 4*d.* is about one-eighth more than the loss due to a fall from 1*s.* 6*d.* to 1*s.* 5*d.*"

85. Passing to Salt, we find that the consumption during the eleven months ending with 31st January 1887 compares as follows with the corresponding figures of the previous year :—

Salt Increase in consumption in 1886-87.

	Consumption, March 1st 1885 to 31st January 1886.	Consumption, March 1st 1886 to 31st January 1887.	Increase+ Decrease—.
	Maunds.	Maunds.	Maunds.
Bengal . .	9,382,000	9,374,000	— 8,000
Northern India .	4,996,000	6,213,000	+1,217,000
Bombay . .	6,282,000	5,878,000	— 404,000
Sind . .	206,000	210,000	— 4,000
Madras . .	6,965,000	7,097,000	+ 132,000
TOTAL .	27,831,000	28,772,000	+ 941,000

The increase in the eleven months of the last four years has been—

Eleven months from 1st March 1882 to 31st January 1883					. .	1,603,000
Ditto	ditto	ditto	ditto	1883-84	.	973,000
Ditto	ditto	ditto	ditto	1884-85	.	693,000
Ditto	ditto	ditto	ditto	1885-86	.	64,000
Ditto	ditto	ditto	ditto	1886-87	.	941,000

86. The Provincial figures for the last four years are as follows :—

	1st March 1882 to 31st January 1883.	Increase+ Decrease—	1st March 1883 to 31st January 1884.	Increase+ Decrease—.	1st March 1884 to 31st January 1885.	Increase+ Decrease—.	1st March 1885 to 31st January 1886.	Increase+ Decrease—.	1st March 1886 to 31st January 1887.	Increase+ Decrease—.
	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	Mds.	
Bengal . . .	8,723,000	+516,000	8,850,000	+127,000	9,398,000	+548,000	9,382,000	—16,000	9,374,000	—8,000
Northern India . .	6,112,000	—66,000	6,459,000	+347,000	6,581,000	+122,000	4,996,000	—1,585,000	6,213,000	+1,217,000
Bombay . . .	4,695,000	+334,000	4,789,000	+94,000	4,810,000	+21,000	6,282,000	+1,472,000	5,878,000	—404,000
Sindh	166,000	+18,000	176,000	+10,000	189,000	+13,000	206,000	+17,000	210,000	+4,000
Madras . . .	6,405,000	+801,000	6,800,000	+395,000	6,789,000	—11,000	6,965,000	+176,000	7,097,000	+132,000
TOTAL .	26,101,000	+1,603,000	27,074,000	+973,000	27,767,000	+693,000	27,831,000	+64,000	28,772,000	+941,000

87. It will be seen that the check in the consumption of salt which was pointed out in the Financial Statement last year, has proved to be, as was at the time surmised, temporary. The total increase in the period of four years from the year 1882 when the salt duty was lowered has been for the eleven months from 1st March to 31st January from 26,101,000 in 1882-83 to 28,772,000 maunds in 1886-87; an increase of 2,671,000 maunds for the eleven months, or (at R2 per maund) of R53,42,000 or £534,200 conventional sterling, or, say, £583,000 for twelve months. The annual amount of Revenue abandoned when the Salt Tax was lowered was estimated, it will be remembered, at £1,400,000.

88. The net import of gold into India has continued to fall off very greatly in 1886-87; silver also shewing decrease, even compared with ordinary preceding years:— *Imports of gold and silver.*

Year	Gold.		
	Imports	Exports.	Net imports.
	R	R	R
1881-82	4,85,63,920	1,24,078	4,84,39,842
1882-83	5,09,51,354	16,42,639	4,93,08,715
1883-84	5,46,94,568	69,517	5,46,25,051
1884-85	4,77,81,724	10,62,359	4,67,19,365
1885-86	3,09,15,409	32,86,062	2,76,29,347
1886-87 (10 months)	1,99,48,131	63,63,771	1,35,84,360

Year.	Silver		
	Imports.	Exports.	Net imports
	R	R	R
1881-82	6,46,63,889	1,08,73,390	5,37,90,499
1882-83	8,35,80,218	87,77,949	7 48,02,269
1883-84	7,40,85,065	1,00,33,554	6,40,51,511
1884-85	9,11,00,254	1,86,43,941	7,24,56,313
1885-86	12,38,62,599	77,96,314	11,60,66,285
1886-87 (10 months)	6,27,47,044	1,01,98,011	5,25,49,033

89. On the 31st March 1886, the number of depositors in District and Presidency Savings Banks was 80,718 with £2,471,180 at their credit. On the corresponding date of the previous year there were 95,366 depositors, the balance at whose credit was £3,058,998, or showing a decrease on 31st March 1886 of 14,648 depositors and £587,818 in the balance at their credit. The decrease in the number of depositors occurred as under— *Savings Banks.*

	Europeans and Eurasians.	Natives.	Total.
31st March 1885	20,330	75,036	95,366
" 1886	17,270	63,448	80,718
	—3,060	11,588	14,648

and was due to the abolition, under the orders of Government,* of the District Savings Banks at the close of the year 1885-86, with a view to their absorption in the Post Office Banks. To facilitate this measure it was arranged that from the date of the order no new accounts should be received in the District Savings Banks, and that depositors who had accounts therein should be encouraged to transfer their balances to the Post Office Banks as soon as possible. Many depositors availed themselves of this offer, and sums held in District Savings Banks were gradually made over to the Post Office Banks.

* Financial Department Resolution No. 33, dated 4th January 1886.

Post Office Savings Banks.

90. From the statement below it will be noticed that the number of accounts and the balance at credit of depositors rose from 122,599 accounts, and £1,344,200 on the 31st March 1885 to 155,009 accounts, and £2,254,590 on the same date of the following year, or more by 32,410 accounts and £910,390 at their credit. The proportion in which this increase occurred among Europeans and Eurasians and Natives of the country is shown below:—

	Number of Accounts.			Balance at Credit of Depositors		
	Europeans and Eurasians.	Natives.	Total.	Europeans and Eurasians.	Natives.	Total.
	No.	No.	No.	£	£	£
On 31st March 1885 .	13,355	109,244	122,599	233,500	1,110,700	1,344,200
" " 1886 .	20,213	134,796	155,009	441,856	1,812,734	2,254,590
Increase .	6,858	25,552	32,410	208,356	702,034	910,390

The above improvement was due partly to the transfer from the District Banks, as explained previously, and to the Postal Department having begun to receive deposits at the rural Post Offices, thereby extending operations into parts of the country where heretofore the people had no facilities for investing their small earnings.

The balances in the Presidency Savings Banks have been declining for some years, in consequence probably of the greater convenience offered by the Post Office; and it has been decided that, while in the Presidency towns they may be continued, the Banks opened in the interior of Madras and Bombay should be superseded from June 1886 by those belonging to the Post Office.

The total balances in Savings Banks of all classes on the 31st March 1886 was £5,081,183.

Post Office Life Insurance.

91. The Director General of the Post Offices' report on the operations of the Postal Life Insurance scheme for the year 1885-86, which is the second complete year of its existence, shows that 170 new policies were issued, representing a total assured amount of ₹1,91,850, as compared with 398 policies, aggregating ₹5,63,225 taken out during the 14 months ending with the 31st March 1885.

The abstract below contrasts the progress of the scheme in the years 1884-85 and 1885-86:—

	To 31st March 1885.	To 31st March 1886.
Number of lives insured . . .	398	568
Amount of insurance . . .	₹ 5,63,225	7,55,075
" received in premia . . .	" 14,890	39,567
" of claims met . . .	" 1,500	5,773

The statement shows that the total number of policies effected up to 31st March 1886 was 568 of the total value of ₹7,55,075 or an average of ₹1,330 for each policy. Deducting lapses or policies surrendered or cancelled, the aggregate amount assured stood at ₹7,04,125. Of the total number of policies effected 56 were for Europeans and Eurasians and 512 for Natives of the country. The scheme continued to make progress in the Postal Circles of Bengal, Madras, Bombay, and Assam. The number of policies taken out in these circles during, and to the end of the year 1885-86 are as under:—

	Bengal.	Madras.	Bombay.	Assam.
In 1885-86	40	35	36	15
To end of 1885-86	131	108	88	58

The table in the margin shews the distribution of policies among the principal classes of postal officials since the scheme was introduced, with the percentage of lives insured in each class. Out of a total of 38,829 employees, 568, or a little less than 1½ per cent., have availed themselves of the advantages of State Life Insurance, and more than 26,000 of these employees belong to the poorly paid class of postmen, runners, and boatmen.

	No on 31st March 1886.	Number of Life Insurance Policies taken out.			Percentage of lives insured.
		Up to 31st March 1885.	During 1885-86.	Total.	
Superintendents and Inspectors	346	38	7	45	13·
Postmasters, Sub-Postmasters, and Village Postmasters	4,677	123	64	187	3·99
Schoolmasters and Extraneous Agents	1,969	...	1	1	05
Clerks	5,086	177	65	242	4·75
Postmen and Village Postmen	13,826	44	23	67	·48
Road Establishment	12,271	11	6	17	13
Signallers, &c., in Combined Offices	654	5	4	9	1·37
	38,829	398	170	568	1 46

From 1st April 1886 to 31st December 1886, 106 additional policies were issued of the aggregate value of R92,400.

92. The following explanations cover the main causes of increase or decrease in 1886-87 and in the ensuing year. In the former case the comparison is between the Budget Estimates and the Revised Estimates of 1886-87; in the latter between the Budget Estimates of 1887-88 and the Revised Estimates of 1886-87:—

Revenue.	Increase. £	Decrease. £	Expenditure.	Increase. £	Decrease. £
Land Revenue	...	149,800	Opium	134,400	...
Opium	...	328,700	Police	233,600	...
Salt	146,100	..	Marine	159,300	...
Excise	130,800	...	State Railways (Working Expenses)	...	291,100
Assessed Taxes	...	110,000	Guaranteed Companies	109,500	...
State Railways— Gross Earnings	...	127,100	Army	804,600	...
Guaranteed Companies— Net Traffic Receipts	419,000	...			

Comparison of Revised with Budget Estimates of 1886-87.

93. *Land Revenue (I)—Decrease £149,800.*—In Upper Burma alone the decrease is £304,600, and is due partly to the defective information on which the first estimates were based, and partly to the unsettled state of the country. In other provinces, the Land Revenue was, as will be seen from the Provincial figures, better than the Estimate. *Revenue*

Opium (II)—Decrease £328,700.—There is a decrease of £522,100 in the receipts from Bengal opium, and an increase of £197,500 in those from Malwa opium; besides small differences in the receipts from excise opium in other provinces. The Budget Estimate provided for a sale of 55,500 chests of Bengal opium at R1,200 a chest=£6,660,000, *plus* excise opium and miscellaneous receipts, £70,000, or a total of £6,730,000. The total number of chests sold during the year was 54,750, which resulted in a decrease of £513,000, owing to an average rate of R1,122-11-9 a chest having been realised. There is, besides, a net decrease of £9,100 on account of excise opium and miscellaneous receipts. The increase in Bombay is due to the number of chests of Malwa opium exported during the year having been somewhat larger than was anticipated in the Budget.

Salt (III)—Increase £146,100.—This occurs chiefly in Bombay and the Central Provinces, and is due to the more extended sale of Baragora salt during the first three months of the year, during which a high price was maintained on the Sambhar salt, as explained in paragraph 47 of last year's Statement.

Excise Increase—£130,800.—The increase of Excise revenue is general.

Assessed Taxes.—Decrease £110,000.—The decrease of £110,000 is chiefly due to the decision to levy Income-tax upon the surplus profits, and not upon the net earnings of the Guaranteed Railways. As explained in paragraph 77 the effect on the Government account was more nominal than real.

Railways.—Under this head State Railways show a decrease of £127,100, and Guaranteed an increase of £419,000.

The main factors on the first of these figures are:—

	£
East Indian Railway—Decrease	55,000
North-Western Railway—ditto	164,500
Rajputana-Malwa Railway, Imperial portion—Increase	32,500
Southern Mahratta Railway—Increase	22,500
Provincial Railways—increase	44,400

The decrease in the East Indian Railway receipts is due to the grain traffic during the earlier months of the year having been below the expectations formed when the Budget Estimates for the year were framed. The large decrease in the North-Western Railway is due to the falling off in the receipts from the carriage of materials for frontier railways and to a great falling off in the usual export wheat traffic from the Punjab. In the Southern Mahratta Railway, the increase is due to an increase in the open mileage.

Under Provincial State Railways the principal contributors to the increase are Burma Railway £25,000, Northern Bengal £30,000, Tirhoot £17,500.

In the Burma Railway the increase is due to the country having become quieter and to movement of troops to Upper Burma, and in the Northern Bengal Railway to general increase of traffic. The increase in the Tirhoot line is the result of the reduction of third class fares, the benefit of which is being gradually appreciated, and of the opening for traffic of a portion of the Kosi extension.

The increases under Guaranteed Railways (Net Traffic Receipts) are as follow:—

	Increase. £
Madras Railway	55,000
South Indian Railway	6,500
Bombay, Baroda and Central India Railway	25,000
Great Indian Peninsula Railway	270,000
Oudh and Rohilkhand Railway	62,500
TOTAL	419,000

£84,500 of this is due to the exclusion from working expenses of the charge for payment of Income-tax; the rest arises from improved traffic.

94. On the Expenditure side, the first noteworthy difference is—

Expenditure.

Opium (4)—Increase £134,800.—This increase occurs almost wholly in Bengal, and is due to the outturn of the Benares Agency for the season 1885-86 having proved larger than was anticipated when the Budget Estimate was framed.

Police (20) and Marine (21).—The principal items here included are £195,000 on account of increased Police charges in Upper Burma, £139,000 under Marine, on account of transport charges connected with operations in Upper Burma.

Famine Relief.—Decrease £1,049,000.—It has been explained in paragraph 73 that the absence of a surplus has prevented our carrying out the intention, provided for in the Budget, of setting apart £749,000 for reduction of debt; and that, for the same reason, of the original grant of £500,000 for the

construction of Protective Railways, we can afford to give only £200,000 from Revenue.

State Railway Working Expenses (38) *£291,100*, counterbalanced by an increase, £109,500, for payments of surplus profits to *Guaranteed Railway Companies*, the necessary accompaniment of increased earnings. The principal items of the first are—East Indian Railway, £185,000, and North-Western Railway, £54,000. Of the first of these decreases about £79,000 is in consequence of the decision to levy Income-tax on the surplus profits instead of basing it on the net earnings, and including the amount in working expenses; £50,000 is due to the write-back to Capital of the value of stores issued to Revenue, but not used; and the balance to renewals of way and stock not having been carried out to the extent anticipated.

The decrease on the North-Western Railway is accounted for by the reduced traffic during the year already noticed on the receipt side.

Against the foregoing decreases, there is a large increase of £34,000 in the working expenses of the Eastern Bengal Railway caused by extensive renewals of permanent-way and repairs to rolling stock, &c.

The provincial State Railways also shew a small decrease in working expenses which occurs mostly on the Nagpur-Chhatisgarh Railway. This is due to a large provision for ballast not being required, as the expenditure on this head has been charged to Capital, to less outlay in repairing culverts, and to the return of materials to store.

Army, Effective, (46).—*Increase £673,700. Non-effective, increase £21,400=Total £780,300.*—This increase arose in consequence of the necessity for adding, during the year, to the garrison to be maintained in Upper Burma, and to the movements of troops there. The other principal items which have contributed to this increase are (1) the raising of two additional Goorkha Battalions; (2) purchase of mules for the Artillery; (3) provision of a greater number of medical officers and subordinates; and (4) additional purchases of land to meet military requirements. On the other hand there have been savings due to the postponement of the arrival of a portion of the sanctioned additional number of British troops, and also to the instructions issued in the early part of the year to ensure the observance of strict economy in all branches of the army.

95. The principal items of difference between the Budget Estimates of 1887-88 and the Revised Estimate of 1886-87 are:—

Revenue.	Increase.	Decrease
	£	£
Land Revenue	327,000	...
State Railways (gross earnings)	604,400	...
Military Works	..	152,400

Expenditure	Increase	Decrease.
	£	£
Land Revenue . . .	153,200	...
Opium	...	279,200
Police	463,800	.
Political	.	120,200
Construction of Railways .	...	112,900
Railways—		
State Railways (working expenses) . . .	553,300	...
Military Works . .	170,000	

Comparison of Budget Estimates of 1887-88 with Revised Estimates of 1886-87.

96. *Land Revenue (I)—Increase £327,100.*—Of this increase a sum of £209,900 is anticipated from Upper Burma and the balance from Bombay. The increase in the latter case is due to a considerable extent to the postponement, till next year, of £50,000 due in 1886-87. *Revenue*

State Railways (*Gross Earnings*) (*XXVI*)—*Increase £604,400.*—This increase is general, and is due in many cases to increased open mileage. With the exception of the Northern Bengal Railway and a few other minor lines, all the railways are expected to earn more in 1887-88 than in the previous year.

The main increases are—

Rajputana-Malwa Railway	50,000
Umeria Colliery	21,500
Indian Midland Railway	23,100
Lucknow-Sitapur-Kheri Railway (Provincial)	26,200
Cuddapah-Nellore and Bellary-Kistna (new lines)	35,000
North-Western Railway	335,000
Southern Mahratta Railway	117,500
TOTAL	608,300

The largest of these—that on the North-Western Railway—is principally a recovery from the low figures of the current year, but is also partly due to the opening of the frontier lines.

It has already been explained that there is a considerable alteration in the distribution of the railways between Imperial and Provincial, and that the Provincial share of the increase under this head, which is £282,700, arises not from improvement of revenue upon Provincial Railways, but from the transfer to Provincial of the Eastern Bengal Railway, and the transfer to Imperial of some lines that have hitherto been Provincial.

The decrease of receipts under Military Works (XXXI) is due to the exceptional recovery in 1886-87 of £150,000 from His Highness the Maharaja Sindia on account of the Morar Cantonment and the Gwalior Fort.

Expenditure

97. On the Expenditure side there is under *Land Revenue* (3) a net increase of expenditure of £153,600.

The chief increases occur in the following Provinces:—

	£
Central Provinces	21,600
Upper Burma	48,700
Punjab	13,200
Madras	43,700

In the Central Provinces and Punjab the increases are on account of extended settlement operations. In Madras, it is due to the proposed revision of subordinate revenue establishments. In Upper Burma the increase has been provided for in view of the anticipated realisation of revenue on the pacification of the province. As a good deal of expenditure under this head, which was formerly partly Imperial, has in the new Contracts been made wholly Provincial, the result on the whole is a diminution of Imperial expenditure, but an increase of Provincial by more than the whole £153,600.

Under *Opium* (4) we estimate for smaller expenditure by £279,200 than that of this year, as we do not anticipate the recurrence of the recent very favourable crops.

The changes in the expenditure under the remaining revenue heads are mostly transfers of expenditure between Imperial and Provincial.

Under *Civil Departments*, we have a gross increase of expenditure in India £407,400, which comes mainly under two heads—namely, Police (20), increase £463,800, almost entirely in Upper Burma (where the police is estimated to cost £737,000 altogether), and Political (25), decrease £116,300 owing to cessation of charges for the Afghan Boundary Commission and the Thibet Mission.

Under *Railway Revenue Account* we provide for a gross increase of £553,300 in State Railway working expenses (38) and £147,700 under State Railway interest account.

Of the former the principal increases are as follow:—East Indian Railway £70,000. (This apparent increase is explained by the write-back in 1886-87.)

North-Western Railway £380,000. (This is to provide for extensive renewals of permanent-way chiefly on the late Sind, Punjab and Delhi Railway and for working the Sind-Sagar State Railway and the Bolan and Sind-Pishin lines, which will be opened during the year.)

Southern Mahratta Railway £52,500. (In 1887-88 the line will probably be opened throughout.)

The increase, £170,000, on account of Military Works, is entirely on account of Upper Burma, where the expenditure is estimated at £300,000.

Ways and means.

98. In the Financial Statement for 1886-87, it was estimated that the year would open with a balance on the Indian Treasuries of £12,401,932, that the Secretary of State would draw (five sterling) £13,331,400 during the year, and that the balance of March 31st, 1887, would be £10,617,432. The actual opening balance was £12,754,478; Council Bills have fallen short considerably the total for the year being now put down at £12,000,000, and the closing balance at £13,016,578.

Commencing with this balance on 31st March 1887, we find that after providing for the contemplated amount of drawings £16,250,000, we are left at the end of the year with an estimated balance of only £5,604,678. This is due to the heavy expenditure on Capital outlay £3,953,800, and special defence works £130,300, not charged to Revenue, and to the heavy payments (net £1,673,200) we have to make to Railway Companies, against their payments into the Home Treasury.

We have been assisted in meeting the demands which will fall upon the Indian Treasuries next year by the circumstance that the Gwalior Council of State has intimated its desire, through the Agent to the Governor General, Sir Lepel Griffin, to invest three and a half crores of the late Maharaja's hoarded treasure in Government securities. We also propose to place in the market a loan of 200 lakhs; but it will be understood that according to the usual custom, no pledge is, or can be, given regarding the time or the amount of borrowing. It has been decided not to raise any sterling loan for Public Works during the year.

With these loans our balance at the end of the year is estimated at £11,104,678.

Of our other transactions, under the head of Ways and Means, it remains only to note that we expect to get £660,000 by Savings Banks' deposits, but about the same amount will be required on the disbursement side, for the advance promised to the Calcutta and Bombay Port Trusts, out of the last year's loan of £1,200,000.

99. The following is a summary of the chief points in the foregoing Statement.

Recapitulation.

The Accounts for 1885-86 shew the following:—

	£
Receipts	74,464,197
Expenditure	77,265,923
Deficit	2,801,726

The Revised Estimates of 1886-87 shew—

Revenue	76,071,700
Expenditure	76,071,200
Surplus	500

The Estimates for 1887-88 shew—

Revenue	77,460,200
Expenditure	77,443,500
Surplus	16,700

The deficit which would have otherwise occurred in the Revised Estimates of 1886-87 and the Estimates of 1887-88 has been met by transfer to loan charges against the Famine Insurance Grant the sum of £1,049,400 and £1,248,000 in those two years respectively.

The net charge in 1886-87, on account of Upper Burma Civil and Military Expenditure, is £1,741,400 and in 1887-88 £1,770,500.

The ultimate gain to the Imperial Government on the Provincial Contracts is £640,100, the gain on the estimates for the ensuing year, however, being £490,000 only. The recommendations of the Finance Committee in other directions cover a very wide field, and must for some considerable time continue to occupy the attention of the Government.

The Income Tax receipts in the Revised Estimates of 1886-87 are put at £1,348,100 against £1,458,100 in the Budget of that year; the difference being mainly due to a decision to assess the Income Tax on the surplus profits of Guaranteed Railways, and not on their net earnings. As the share of the Government in the Income Tax on the net earnings of the Guaranteed and State Railways is £131,980, the loss on account of Income Tax is merely nominal to this extent. The estimate for the next year on account of Income Tax is £1,406,000.

The net loss to the State on State and Guaranteed Railways in the Revised Estimates of 1886-87 is £1,177,900 and in the Budget Estimates of 1887-88 £1,383,700.

The Army Estimates for 1887-88, including Burma, amount to £19,197,000 against £19,070,600 in the Revised Estimates of the preceding year. £344,984 are included in the Estimates of 1887-88 as increased expenditure on account of additions to the strength of the Army.

The Opium prospects are good, but as they are not so exceptional as last year, the expenditure on account of opium has been reduced from £2,785,300 in the Revised Estimates to £2,506,100 in the Budget Estimates for next year. The reserve at the close of 1886-87 is expected to stand at 36,705 chests. The price during the ensuing year has been taken at R1,100 per chest. 4,750 chests will be sold each month during 1887-88; the amount to be sold in the first three months of 1887-88 will be notified hereafter.

The additional charge in the Revised Estimates of 1886-87 on account of Exchange is £474,600. Exchange for 1887-88 has been taken at 17½*d.*

The consumption of Salt has increased, in the eleven months ending with January 31, 1887, by 941,000 maunds.

The import, both of gold and silver, has decreased, the former having fallen to £135,84,360 for 10 months of 1886-87 from £27,629,347 in 1885-86 (12 months), £46,719,365 in 1884-85 (12 months), and £54,625,051 in 1883-84 (12 months).

The District and Post Office Savings Banks have been amalgamated. The total balances in Savings Banks of all classes on 31st March 1886 was £5,081,183.

The Post Office Life Insurance Scheme makes progress.

The opening balance of 1887-88 in India is expected to be £13,016,578 and the closing balance £11,104,678. Provision has been made for drawings by the Secretary of State to the amount of £16,250,000 (true sterling).

The annual loan for Public Works will amount to 5½ crores, and will be raised in India. Of this amount 3½ will be obtained by the investment in Government securities, at the desire of the Gwalior Council of Regency, of treasure hoarded by the late Maharaja Scindiah. No Public Works Sterling Loan will be raised this year.

A. COLVIN.

March 26, 1887.

APPENDIX.

ACCOUNTS AND ESTIMATES.

Accounts	1885-86.
Revised Estimates . . .	1886-87.
Budget Estimates . . .	1887-88.

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General Statement of the Accounts and Estimates of the Revenue India, in India

[£1 is recorded for every 10 rupees, in respect of

	For detail vide Statement.	RECEIPTS.			
		Accounts, 1885-86.	Budget Estimate, 1886-87.	Revised Estimate, 1886-87.	Budget Estimate, 1887-88.
Revenue—		£	£	£	£
Principal Heads of Revenue—					
Land Revenue	...	22,592,371	22,760,300	22,610,500	22,937,600
Opium	...	8,942,515	9,227,600	8,898,900	8,893,300
Salt	...	6,345,128	6,392,500	6,538,600	6,604,600
Stamps	...	3,663,174	3,694,400	3,721,100	3,716,200
Excise	...	4,152,136	4,134,800	4,265,600	4,225,400
Other Heads	A	6,747,001	7,715,500	7,631,000	7,751,600
TOTAL, PRINCIPAL HEADS	A	52,442,325	53,925,100	53,665,700	54,128,700
Interest	"	698,982	644,200	680,900	686,500
Post Office, Telegraph, and Mint	"	1,965,860	1,914,100	1,976,700	2,025,300
Receipts by Civil Departments	"	1,427,406	1,433,800	1,454,200	1,425,300
Miscellaneous	"	1,077,809	763,100	831,400	1,177,000
Railways	"	13,684,084	13,975,000	14,266,900	14,892,500
Irrigation	"	1,588,278	1,621,600	1,594,800	1,688,000
Buildings and Roads	"	615,581	680,100	690,800	539,500
Receipts by Military Departments	"	963,872	841,700	910,300	897,400
TOTAL REVENUE	...	74,464,197	75,798,700	76,071,700	77,460,200
Extraordinary Receipts—					
Assets of the Bengal Civil Fund credited to Government by charge to Unfunded Debt in accordance with Act 45 and 46 Vic., Cap. 45 . . 1,908,469					
Ditto Madras Civil Fund do. . 2,257,000					
Ditto Bombay City Police Supervision Fund do. . 30,930		4,196,399	...	...	...
Debt, Deposits, and Advances—					
Permanent Debt (net Incurred)		3,584,979	9,415,400	9,737,700	2,000,500
Unfunded Debt (net Incurred)	C	...	478,200	710,600	4,213,100
Deposits and Advances (net)	"	3,392,767	733,500	628,200	...
Loans to Municipalities, Native States, &c. (net Recoveries)	"	102,720	...	72,500	...
Capital of Railway Companies (net Receipts)	"	4,150,924	...	...	...
Remittances (net)	"	410,512	...	1,078,300	...
Secretary of State's Bills drawn	"	10,292,692	13,331,400	12,000,000	16,250,000
TOTAL RECEIPTS	—	100,595,190	99,757,200	100,299,000	109,923,800
Balance on 1st April—India	...	12,540,532	12,401,932	12,754,478	13,016,578
England	...	2,249,378	4,777,978	4,726,585	2,077,085
GRAND TOTAL £	...	115,385,100	116,937,110	117,780,063	115,017,463

FORT WILLIAM,
DEPT. OF FINANCE AND COMMERCE;
The 26th March 1887.

E. W. KELLNER,
Deputy Comptroller General.

and Expenditure and Receipts and Disbursements of the Government of and in England.

transactions in *India*, including those of "Exchange."] *Figures nearest to 100 in columns for Estimates.*

	For detail *vide* Statement.	DISBURSEMENTS. Accounts, 1885-86.	Budget Estimate, 1886-87.	Revised Estimate, 1886-87.	Budget Estimate, 1887-88.
Expenditure—		£	£	£	£
Direct Demands on the Revenues	B	9,805,278	9,675,200	9,786,000	9,650,600
Interest	"	4,330,861	4,250,300	4,307,700	4,412,200
Post Office, Telegraph, and Mint	"	2,292,961	2,227,500	2,171,800	2,261,500
Salaries and Expenses of Civil Departments	"	12,243,689	12,354,900	12,650,100	13,179,700
Miscellaneous Civil Charges	"	4,634,598	4,848,600	4,723,000	4,856,200
Famine Relief and Insurance	"	1,500,000	1,361,300	311,900	94,500
Construction of Railways (Charged against Revenue in addition to that under Famine Insurance)	"	632,055	109,200	187,900	75,000
Railway Revenue Account	"	14,415,797	15,696,700	15,700,600	16,481,900
Irrigation	"	2,303,747	2,352,900	2,396,400	2,441,300
Buildings and Roads	"	4,485,276	5,449,300	5,342,500	5,553,200
Army Services	"	20,097,779	18,266,000	19,070,600	19,197,000
Total Expenditure, Imperial and Provincial	...	76,742,041	76,591,900	76,648,500	78,203,100
Add—Provincial Surpluses: that is, portion of Allotments to Provincial Governments not spent by them in the year	End of B	731,242	...	+ 54,800	...
Deduct—Provincial Deficits: that is, portion of Provincial Expenditure defrayed from Provincial balances	"	—207,360	—975,400	—632,100	—759,600
Total Expenditure charged against Revenue	...	77,265,923	75,616,500	76,071,200	77,443,500
Expenditure not charged to Revenue—					
Capital Outlay on Railways and Irrigation Works	End of B	5,275,364	5,427,100	5,802,500	4,994,200
Special Defence Works	"	...	441,700	305,200	474,600
Capital charge involed in redemption of liabilities	...	1,086,045	4,844,200	4,914,500	...
Debt, Deposits, and Advances—					
Unfunded Debt (net discharged)		3,283,959	...	...	...
Deposits and Advances (net)	C	...	...	...	1,160,800
Loans to Municipalities, Native States, &c. (net Payments)	"	...	897,600	...	677,200
Capital of Railway Companies (net Payments)	"	...	3,162,000	3,644,900	656,200
Remittances (net)	"	...	135,400	...	85,000
Secretary of State's Bills paid	"	10,992,746	13,331,400	11,948,100	16,250,000
Total Disbursements	...	97,904,037	103,855,900	102,686,400	101,741,500
Balance on 31st March—India	...	12,754,478	10,617,432	13,016,578	11,104,678
England	...	4,726,585	2,463,778	2,077,085	2,171,285
GRAND TOTAL £	...	115,385,100	116,937,110	117,780,063	115,017,463

Revenue	74,464,197	75,798,700	76,071,700	77,460,200
Expenditure chargeable thereon	77,265,923	75,616,500	76,071,200	77,443,500
Surplus (+) or Deficit (—)	—2,801,726	+182,200	+500	+16,700

E. GAY,
Offg. Comptroller General.

J. WESTLAND,
Offg. Secretary to the Government of India.

No. A.—*Statement of the Revenue of*

[£1 is recorded for every 10 rupees, in respect of

Heads of Revenue.	Accounts, 1885-86. India. Imperial.	Accounts, 1885-86. India. Provincial and Local.	Accounts, 1885-86. England.	Accounts, 1885-86. Exchange.*	Accounts, 1885-86. Total.	Revised India. Imperial.	Revised India. Provincial and Local.
	£	£	£	£	£	£	£
Principal Heads of Revenue—							
I.—Land Revenue	13,450,572	9,141,799	...	...	22,592,371	13,964 600	8,645,900
II.—Opium	8,942,515	..	...	...	8,942,515	8,898,900	...
III —Salt	6,317,754	27,374	...	...	6,345,128	6,505,000	33,600
IV.—Stamps	1,851,387	1,811,787	...	...	3,663,174	1,883,500	1,837,600
V.—Excise	2,105,266	2,046,870	...	...	4,152,136	2,164,900	2,100,700
VI.—Provincial Rates	1,632	2,958,683	...	...	2,960,315	1,300	2,942,300
VII.—Customs	1,020,624	179,352	...	...	1,199,976	1,043,700	168,200
VIII.—Assessed Taxes	251,599	251,435	...	..	503,034	1,095,000	253,100
IX.—Forest	490,983	594,015	832	262	1,086,092	525,500	613,100
X.—Registration	154,697	153,309	...	...	308,006	149,900	148,000
XI.—Tributes from Native States	689,578	...	...	...	689,578	690,900	...
Total	35 276,607	17,164,624	832	262	52,442,325	36 923,200	16,742,500
XII.—Interest	654,146	32,824	9,136	2,876	698,982	593,300	32,800
Post Office, Telegraph, and Mint—							
XIII.—Post Office	1,108,849	4,237	...	...	1,113,086	1,161,700	4,600
XIV.—Telegraph	581,357	374	35,560	11,193	628,484	640,700	300
XV.—Mint	224,290	...	...	...	224,290	156,400	...
Total	1,914 496	4,611	35,560	11,193	1,965,60	1,958,800	4,900
Receipts by Civil Departments—							
XVI —Law and Justice { Courts	14,858	273,608	...	..	288,466	20,300	281,800
XVI —Law and Justice { Jails	40,141	249,102	...	...	289,243	45,900	256,200
XVII.—Police	6,331	314,680	...	...	321,011	10,700	311,200
XVIII.—Marine	86,040	114,392	...	...	200,432	57,600	112,900
XIX —Education	1,030	199,710	...	...	200,740	1,300	203,700
XX —Medical	1	50,978	2,537	799	54,315	100	55,000
XXI.—Scientific and other Minor Departments	13,254	59,765	137	43	73,199	35,800	57,500
Total	161,655	1,262,235	2,674	842	1,427,406	171,700	1,278,300
Miscellaneous—							
XXII.—Receipts in aid of Superannuation, &c	221,587	30,146	125,330	39 450	416,513	231,300	32,800
XXIII —Stationery and Printing	7,121	48,569	...	...	55,690	53,900	44,000
XXIV.—Exchange	264,378	...	...	...	264,378	...	...
XXV.—Miscellaneous	69,673	263,276	6 297	1,982	341,228	78,300	247,700
Total	562,759	341,991	131,627	41,432	1,077,809	363,500	324,500
Railways—							
XXVI.—State Railways (gross Earnings)	8,988,902	969,686	230	72	9,958,890	9,627,000	1,087,100
XXVII.—Guaranteed Companies (net Traffic Receipts)	3,725,075	...	...	...	3,725,075	3,552,500	...
XXVIII.—Subsidized Companies (Repayment of Advances of Interest)	...	119	...	...	119	...	...
Total	12,713,977	969,805	230	72	13,684,084	13,179,500	1,087,100
Irrigation—							
XXIX.—Major Works: Direct Receipts	267,902	596 871	...	...	864,773	313,700	577,400
Portion of Land Revenue due to Irrigation	562,607	...	...	...	562,607	558,300	...
XXX.—Minor Works and Navigation	29,956	130,942	...	...	160,898	31,600	113,800
Total	860,465	727,813	...	...	1,588,278	903,600	691,200
Buildings and Roads—							
XXXI.—Military Works	41,158	...	...	...	41,158	188,800	..
XXXII.—Civil Works	7,238	541,217	19,751	6,217	574,423	9,500	462,300
Total	48,396	541,217	19,751	6,217	615,581	198,300	462,300
Receipts by Military Departments—							
XXXIII.—Army: Effective	838,810	...	56,168	17,680	912,658	797,200	...
Non-effective	47,143	...	3,096	975	51,214	41,500	...
Total	885,953	...	59,204	18,655	963,872	838,700	...
TOTAL REVENUES	53,078,454	21,045,120	259,074	81,549	74,464,197	55,130,600	20,623,600

* The columns headed "Exchange" show, under the several heads of Revenue and Expenditure which include transactions in England

INDIA, in India and in England.

transactions *in India*, including those of "Exchange."] *Figures nearest to 100 in columns for Estimates.*

ESTIMATE, 1886-87.				BUDGET ESTIMATE, 1887-88					
				INDIA.					
England.	Exchange * 1-5½d.	TOTAL.	Increase + Decrease — of Revised, as compared with Budget Estimates, 1886-87.	Imperial.	Provincial and Local.	England.	Exchange. 1-5½d.	TOTAL.	Increase + Decrease — of Budget, 1887-88, as compared with Revised Estimates, 1886-87.
£	£	£	£	£	£	£	£	£	£
...	...	22'610,500	—149,800	14,156,000	8,781,600	...	...	22,937,600	+327,100
...	...	8,898,900	—328,700	8,893,300	...	...	...	8,893,300	—5,600
...	...	6,538,600	+146,100	6,577,800	26,800	...	...	6,604,600	+66,000
...	...	3,721,100	+26,700	1,074,200	2,642,000	...	...	3,716,200	—4,900
...	...	4,265,600	+130,800	3,096,000	1,129,400	...	...	4,225,400	—40,200
...	...	2,943,600	+34,500	800	2 956,700	...	...	2,957,500	+13,900
...	...	1,211,900	+38,700	1,217,600	15,100	...	...	1,232,700	+20,800
...	...	1,348,100	—110,000	833,700	572,300	...	...	1,406,000	+57,900
...	...	1,138,600	—14,700	521,800	608,900	...	...	1,130,700	—7,900
...	...	297,900	—11,900	152,100	150,600	...	..	302,700	+4,800
...	...	690,900	—21,100	722,000	...	...	...	722,000	+31,100
...	...	53,665,700	—259,400	37,245,300	16,883,400	...		54,128,700	+463,000
40,600	14,800	680,900	+36,700	649,900	31,900	10,000	3,700	686,500	+5,600
...	...	1,166,300	+9,200	1,210 900	5,400	...	...	1,216,300	+50,000
9,500	3,500	654,000	+78,100	628,700	300	7,000	2,600	638,600	—15,400
...	...	156,400	—24,700	170,400	...	...	...	170,400	+14,000
9,500	3,500	1,976 700	+62,600	2,010,000	5,700	7,000	2,600	2,025,300	+48,600
...	...	302,100	+6,100	22,200	275 700	...	...	297,900	—4,200
...	...	302,100	+22,100	40,500	253,000	...	...	293,500	—8,600
...	...	321,900	—300	11,900	312,000	...	...	323,900	+2,000
...	...	170,500	—14,300	57,700	115,600	...	...	173,300	+2,800
...	...	205,000	+1,200	1,300	197 400	...	...	198 700	—6,300
2,500	900	58,500	+700	...	53,500	2,200	800	56,500	—2,000
600	200	94,100	+4,900	23,100	56,600	1,300	500	81,500	—12,600
3,100	1,100	1,454,200	+20,400	156,700	1,263,800	3,500	1,300	1,425,300	—28,900
102,600	38,100	404,800	+11,700	228,500	31,700	96,400	35,800	392,400	—12,400
...	...	97,900	+26,400	54 600	42,600	...	...	97 200	—700
...	...	.	..	365,400	...	...	...	365,400	+365,400
2,000	700	328,700	+30,200	74,100	244,500	2,500	900	322,000	—6,700
104,600	38,800	831 400	+68,300	722,600	318,800	98,900	36,700	1,177,000	+345,600
200	100	10,714,400	—127,100	9,948,700	1,369,800	200	100	11,318,800	+604,400
...	...	3,552,500	+419,000	3,515,000	...	...	...	3,515,000	—37,500
...	...	...	...	58,700	...	...	...	58,700	+58,700
200	100	14,266,900	+291,900	13,522,400	1,369,800	200	100	14,892,500	+625,600
...	...	891,100	—30,200	374,900	584 300	...	...	959,200	+68,100
...	...	558,300	+2,600	576 500	...	...	..	576,500	+18,200
...	.	145 400	+800	27 700	124,600	.	.	152,300	+6,900
...	...	1,594,800	—26,800	979,100	708,900	..		1,688,000	+93,200
...		188,800	+700	36,400	...	...	...	36,400	—152,400
22,000	8,200	502,000	+10,000	9 700	462,300	22,700	8,400	503,100	+1,100
22,000	8,200	690,800	+10,700	46,100	462,300	22,700	8,400	539,500	—151,300
48,000	17,800	863,000	+74,100	800,900	...	30,000	11,200	842,100	—20,900
4,200	1,600	47 300	—5,500	49,100	...	4,500	1,700	55,300	+8,000
52,200	19,400	910,300	+68,600	850,000	...	34,500	12,900	897,400	—12,900
231,600	85,900	76 071 700	+273,000	56,173,100	21,044,600	176,800	65,700	77,460,200	+1,388,500

the Exchange thereon calculated in accordance with the average Rate obtained for Bills and Telegraphic Transfers sold during the year

B.—*Statement of the Expenditure chargeable on the*

[£1 is recorded for every 10 rupees, in respect of

Heads of Expenditure.	Accounts, 1885-86. India. Imperial.	Accounts, 1885-86. India. Provincial and Local.	Accounts, 1885-86. England.	Accounts, 1885-86. Exchange.†	Accounts, 1885-86. Total.	Revised. India. Imperial.	Revised. India. Provincial and Local.
	£	£	£	£	£	£	£
Direct Demands on the Revenues—							
1.—Refunds and Drawbacks	128,715	77,459	...	...	206,174	136,600	72,800
2.—Assignments and Compensations	584,567	811,970	..	...	1,396,537	559,200	813,300
Charges in respect of Collection, *viz.*:—							
3.—Land Revenue	277,760	3,136,095	332	105	3,414,292	338,400	3,175,800
4.—Opium (including cost of Production)	3,051,481	...	4,710	1,483	3,057,674	2,782,400	...
5.—Salt (including cost of Production)	307,341	92,013	1,722	542	401,618	388,500	94,500
6.—Stamps	21,997	62,150	48,543	15,280	147,970	21,300	65,100
7.—Excise	61,464	61,743	886	279	124,372	58,600	58,700
8.—Provincial Rates	...	47,057	...	...	47,057	...	47,000
9.—Customs	...	130,719	...	...	130,719	...	133,400
10.—Assessed Taxes	6,379	6,092	...	...	12,471	46,200	6,500
11.—Forest	301,559	375,550	2,950	929	680,988	317,500	415,100
12.—Registration	93,011	92,395	...	...	185,406	93,200	92,200
Total	4,834,274	4,893,243	59,143	18,618	9,805,278	4,741,900	4,974,400
Interest—							
13.—Interest on Debt* other than that charged to Railways and Irrigation Works	663,650	...	2,428,948	764,563	3,857,161	381,700	...
14.—Interest on other Obligations	470,498	2,814	295	93	473,700	361,000	2,700
Total	1,134,148	2,814	2,429,243	764,656	4,330,861	742,700	2,700
Office, Telegraph, and Mint—							
15.—Post Office	1,056,829	107,541	105,139	33,095	1,302,604	1,079,500	109,400
16.—Telegraph	520,011	574	267,861	84,315	872,761	573,700	500
17.—Mint	88,327	...	22,262	7,007	117,596	70,300	...
Total	1,665,167	108,115	395,262	124,417	2,292,961	1,723,500	109,900
Salaries and Expenses of Civil Departments—							
18.—General Administration	626,710	760,964	262,582	82,653	1,732,909	621,800	772,700
19.—Law and Justice { Courts	25,328	2,435,143	1,109	349	2,461,929	56,500	2,581,900
19.—Law and Justice { Jails	140,441	749,914	...	...	890,355	136,300	641,100
20.—Police	95,142	2,757,582	...	...	2,852,724	417,700	2,833,800
21.—Marine (including River Navigation)	209,268	127,201	143,166	45,065	524,700	374,500	128,800
22.—Education	16,219	1,226,377	381	120	1,243,097	15,200	1,276,500
23.—Ecclesiastical	103,045	...	609	192	163,846	160,600	...
24.—Medical	16,091	720,082	8,667	2,728	747,568	21,900	724,600
25.—Political	1,107,387	134	32,859	10,343	1,150,723	709,300	200
26.—Scientific and other Minor Departments	265,814	188,316	16,511	5,197	475,838	280,700	153,200
Total	2,665,445	8,965,713	465,884	146,647	12,243,689	2,794,500	9,112,800
Miscellaneous Civil Charges—							
27.—Territorial and Political Pensions	623,736	...	22,062	6,944	652,742	634,500	...
28.—Civil Furlough and Absentee Allowances	4,589	...	196,191	61,755	264,535	4,100	...
29.—Superannuation Allowances and Pensions	347,213	574,460	1,506,051	474,062	2,901,786	93,300	599,500
30.—Stationery and Printing	28,329	384,308	74,537	23,462	510,696	47,100	381,600
31.—Exchange	..	..	...	...	...	48,000	...
32.—Miscellaneous	50,802	214,782	31,378	9,877	306,839	83,800	206,800
Total	1,054,669	1,173,610	1,830,219	576,100	4,634,598	910,800	1,187,900
Famine Relief and Insurance—							
33.—Famine Relief	37	40,658	...	...	40,695	...	600
34.—Construction of Protective Railways	589,000	...	...	...	589,000	200,000	...
35.—Construction of Protective Irrigation Works	186,807	...	.	...	186,807	111,300	...
36.—Reduction of Debt	683,498	...	...	...	683,498	...	...
Total	1,459,342	40,658	...	..	1,500,000	311,300	600
Carried over	12,813,045	15,184,153	5,179,751	1,630,438	34,807,387	11,224,700	15,388,300

The "Interest on Debt" is distributed as follows:—

	Accounts, 1885-86. India.	England	Exchange.	Total.
	£	£	£	£
Interest on Debt (other than that charged to Railways and Irrigation Works) as above	663,650	2,428,948	764,563	3,857,161
Under Railway Revenue Account	2,181,875	366,155	115,255	2,663,285
Under Irrigation	964,847	...	...	964,847
Total £	3,810,372	2,795,103	879,818	7,485,293

† See foot-note to Statement No. 2.

Revenues of India, in India and in England.

transactions *in India*, including those of "Exchange."] *Figures nearest to 100 in columns for Estimates.*

ESTIMATE, 1886-87.			Increase+ Decrease— of Revised as compared with Budget Estimates, 1886-87.	BUDGET ESTIMATE, 1887-88.					Increase+ Decrease— of Budget, 1887-88, as compared with Revised Estimates, 1886-87.
				India.					
England.	Exchange.†	Total.		Imperial.	Provincial and Local.	England.	Exchange.	Total	
£	£	£	£	£	£	£	£	£	£
...	...	209,400	+2,400	135,300	66,900	..	...	202,200	—7,200
...	...	1,372,500	+71,500	552,500	815,100	...	...	1,367,000	—4,900
1,000	400	3,515,600	—73,200	265,300	3,402,500	700	300	3,668,800	+153,200
2,000	900	2,785,300	+134,800	2,504,000	...	1,500	600	2,506,100	—279,200
100	..	483,100	—13,500	467,500	1,500	100	...	469,100	—14,000
44,900	16,700	148,000	—5,300	—6,600	91,600	67,700	25,100	177,800	+29,800
200	100	117,600	+11,800	86,600	32,000	200	100	118,900	+1,300
...	...	47,000	+400	...	47,200	...	...	47,200	+200
...	...	133,400	...	49,800	85,300	...	...	135,100	+1,700
...	...	52,700	—6,000	18,600	15,000	...	...	33,600	—19,100
2,500	900	736,000	—6,300	326,000	409,000	1,900	700	737,600	+1,600
...	...	185,400	—5,800	93,800	92,800	...	...	186,600	+1,200
50,700	19,000	9,786,000	+110,800	4,492,800	5,058,900	72,100	26,800	9,650,600	—135,400
2,597,200	964,700	3,943,600	+57,500	418,100	...	2,630,100	976,900	4,025,100	+81,500
300	100	364,100	—100	383,800	2,600	500	200	387,100	+23,000
2,597,500	964,800	4,307,700	+57,400	801,900	2,600	2,630,600	977,100	4,412,200	+104,500
118,200	43,900	1,351,000	—3,000	1,100,200	112,300	110,800	41,200	1,364,500	+13,500
121,300	45,100	740,600	—39,300	622,900	500	136,700	50,800	810,900	+70,300
7,200	2,700	80,200	—13,400	79,000	...	5,200	1,900	86,100	+5,900
246,700	91,700	2,171,800	—55,700	1,802,100	112,800	252,700	93,900	2,261,500	+89,700
249,600	92,700	1,736,800	—7,300	604,000	768,000	246,700	91,600	1,710,300	—26,500
1,200	500	2,640,100	—24,700	88,300	2,608,500	2,000	700	2,699,500	+59,400
...	...	777,400	—28,000	158,200	657,400	...	...	815,600	+38,200
...	...	3,251,500	+233,600	833,900	2,881,400	...	...	3,715,300	+463,800
229,600	85,300	818,200	+159,300	278,500	138,000	326,700	121,300	864,500	+46,300
400	100	1,292,200	—34,300	14,800	1,303,300	900	300	1,319,300	+27,100
300	100	161,000	—11,800	171,500	...	300	100	171,900	+10,900
7,200	2,700	756,400	—32,200	44,700	748,300	7,400	2,800	803,200	+46,800
30,100	11,200	750,800	+68,900	592 800	400	27,300	10,100	630,600	—120,200
23,200	8,600	465,700	—28,300	268,200	154,500	19,500	7,300	449,500	—16,200
541,600	201,200	12,650,100	+295,200	3,054,900	9,259,800	630,800	234,200	13,179,700	+529,600
18,400	6,900	659,800	—14,500	638,200	...	27,200	10,100	675,500	+15,700
189,000	70,200	263,300	—36,300	5,400	...	217,000	80,600	303,000	+39,700
1,587,000	589,500	2,869,300	+30,500	93,400	619,600	1,608,000	597,300	2,918,300	+49,000
90,700	33,500	552,900	—3,300	51,200	391,500	109,700	40,700	593,100	+40,200
...	...	48,000	—89,700	.	...	...	...	...	—48,000
28,500	10,600	329,700	—12,300	129,300	197,900	28,500	10,600	366,300	+36,600
1,913,600	710,700	4,723,000	—125,600	917,500	1,209,000	1,990,400	739,300	4,856,200	+133,200
...	...	600	—400	...	2,000	...	...	2,000	+1,400
...	...	200,000	—300,000	...	...	...	...	...	—200,000
...	...	111,300	...	92,500	...	...	...	92,500	—18,800
...	...	...	—749,000	...	...	...	...	.	...
...	...	311,900	—1,049,400	92,500	2,000	...	...	94,500	—217,400
5,350 100	1,987,400	33,950,500	—767,300	11,161,700	15,645,100	5,576,600	2,071,300	34,454,700	+504,200

REVISED ESTIMATE, 1886-87.				BUDGET ESTIMATE, 1887-88			
India.	England.	Exchange.	Total.	India.	England.	Exchange.	Total.
£	£	£	£	£	£	£	£
381,700	2,597,200	964,700	3,943,600	418,100	2,630,100	976,900	4,025,100
2,413,000	566,000	210,200	3,189,300	2,560,700	552,500	205,200	2,368,100
994,300	...	...	994,300	1,024,900	.	...	1,024,900
3,789,000	3,163,200	1,174,900	8,127,100	4,003,800	3,182,600	1,182,100	8,358,100

B.—*Statement of the Expenditure chargeable on the*

[£1 is recorded for every 10 rupees, in respect of

Heads of Expenditure.	Accounts, 1885-86. India. Imperial.	Accounts, 1885-86. India. Provincial and Local.	Accounts, 1885-86. England.	Accounts, 1885-86. Exchange.*	Accounts, 1885-86. Total.	Revised India. Imperial.	Revised India. Provincial and Local.
	£	£	£	£	£	£	£
Brought forward	12,813,039	15,184,153	5,179,751	1,630,438	34,807,381	11,224,700	15,388,300
37.—Construction of Railways (Charged against Revenue in addition to that under Famine Insurance)	500 000	132,055	...	...	632,055	...	187,900
Railway Revenue Account—							
38.—State Railways: Working Expenses	4,212,521	689,571	...	...	4,902,092	4,608,000	670,000
Interest on Debt	1,800,820	381,055	366,155	115,255	2,663,285	2,017,100	395,900
Annuities in purchase of Railways	...	...	1,324,031	416,767	1,740,798	...	...
Interest on Capital deposited by Companies	289	...	195,886	61,659	257,834	400	...
39.—Guaranteed Companies: Surplus Profits, Land and Supervision	476,682	...	...	...	476 682	607,000	...
Interest	49,767	...	3,180,735	1,001,205	4,231,707	11,000	...
40.—Subsidised Companies: Land, &c.	27,276	16,849	...	...	44,125	33,100	14,900
Advances of Interest	...	...	...	...	...	...	...
41.—Miscellaneous Railway Expenditure	91,235	8,039	...	...	99,274	82,500	13,700
Total	6,658,590	1,095,514	5,066,807	1,594,886	14,415,797	7,359,100	1,094,500
Irrigation—							
42.—Major Works: Working Expenses	266,014	327,136	...	...	593,150	287,400	355,200
Interest on Debt	480,558	478,289	...	...	964,847	507,400	486,900
43.—Minor Works and Navigation	512,471	232,689	449	141	745,750	561,500	195,500
Total	1,265,043	1,038,114	449	141	2,303,747	1,356,300	1,037,600
Buildings and Roads—							
44.—Military Works	960,415	...	6,469	2,036	968,920	1,127,700	...
45.—Civil Works	350,452	3,071,402	71,877	22,625	3,516,356	599,600	3,492,600
Total	1,310,867	3,071,402	78,346	24,661	4,485,276	1,727,300	3,492,600
Army Services—							
46.—Army: Effective	14,414,290	...	1,996,069	628,305	17,038,664	13,207,900	...
Non-Effective	832,798	...	1,693,311	533,006	3,059,115	860,800	...
Total	15,247,088	...	3,689,380	1,161,311	20,097,779	14,068,700	...
Total Expenditure, Imperial and Provincial	37,794,633	20,521,238	14,014,733	4,411,437	76,742,041	35,736,100	21,200,900
Add—Portion of Allotments to Provincial Governments not spent by them in the year	...	+731,242	...	...	+731,242	...	+54,800
Deduct—Portion of Provincial Expenditure defrayed from Provincial balances	...	—207,360	...	...	—207,360	...	—632,100
Total Expenditure charged against Revenue	37 794,633	21,045,120	14,014,733	4,411,437	77,265,923	...	20,623,600

	Accounts, 1885-86. India.	Accounts, 1885-86. England.	Accounts, 1885-86. Exchange (charged against Revenue)	Accounts, 1885-86. Total.
Expenditure not charged to Revenue—	£	£	£	£
Capital Outlay Railways and Irrigation Works—				
47.—State Railways: Construction	2,363,102	1,787,175	562,551	4,712,828
48.—Irrigation Works	553,866	6,594	2,076	562,556
Total	2,916,968	1,793,769	564,627	5,275,364
49.—Special Defence Works	...	...	...	...
50.—Capital charge involved in Redemption of Liabilities	...	1,086,045	...	1,086,045

* See foot-note to Statement No. 2, p. 24.

Revenues of India, in India and in England—continued.

transactions *in India*, including those of "Exchange."] *Figures nearest to 100 in columns for Estimates.*

ESTIMATE, 1886-87.			Increase + Decrease— of Revised, as compared with Budget Estimates, 1886-87.	BUDGET ESTIMATE, 1887-88.					Increase + Decrease— of Budget, 1887-88, as compared with Revised Estimates, 1886-87.
				India.					
England.	Exchange *	Total.		Imperial.	Provincial and Local.	England.	Exchange.	Total.	
£	£	£	£	£	£	£	£	£	£
5,350,100	1,987,400	33,950,500	—767,300	11,161,700	15,645,100	5,376,600	2,071,300	34,454,700	+ 504,200
...	...	187,900	+ 78,700	...	75,000	...	...	75,000	—112,900
...	...	5,278,000	—291,100	5,020,300	811,000	..	...	5,831,300	+ 553,300
566,000	210,200	3,189,200	+ 89,600	2,117,700	443,000	552,500	205,200	3,318,400	+ 129,200
1,677,700	623,100	2,300,800	—300	...	...	1,683,000	625,100	2,308,100	+ 7,300
343,700	127,600	471,700	+ 59,300	400	...	426,400	158,400	585,200	+ 113,500
...	...	607,000	+ 109,500	573,000	...	...	...	573,000	—34,000
2,697,000	1,001,700	3,709,700	+ 118,800	29,400	...	2,700,000	1,002,900	3,732,300	+22,600
...	..	48,000	—21,500	40,500	19,500	...	...	60,000	+ 12,000
...	...	...	—36,600	...	...	...	...	...	...
...	...	96,200	—23,800	70,000	3,600	...	...	73,600	—22,600
5,284,400	1,962,600	15,700,600	+ 3,900	7,851,300	1,277,100	5,361,900	1,991,600	16,481,900	+ 781,300
...	...	642,600	+ 30,900	291,700	354,200	...	...	645,900	+ 3,300
...	...	994,300	—3,500	513,700	511,200	...	...	1,024,900	+ 30,600
1,800	700	759,500	+ 16,100	271,400	498,800	200	100	770,500	+ 11,000
1,800	700	2,396,400	+ 43,500	1,076,800	1,364,200	200	100	2,441,300	+ 44,900
2,200	800	1,130,700	—24,700	1,298,100	...	1,900	700	1,300,700	+ 170,000
87,200	32,400	4,211,800	—82,100	691,600	3,442,800	86,100	32,000	4,252,500	+ 40,700
89,400	33,200	5,342,500	—106,800	1,989,700	3,442,800	88,000	32,700	5,553,200	+ 210,700
1,852,400	688,000	15,748,300	+ 673,700	13,143,700	...	1,886,200	700,600	15,730,500	—17,800
1,794,900	666,600	3,322,300	+ 130,900	866,300	...	1,896,000	704,200	3,466,500	+ 144,200
3,647,300	1,354,600	19,070,600	+ 804,600	14,010,000	...	3,782,200	1,404,800	19,197,000	+ 126,400
14,373,000	5,338,500	76,648,500	+56,600	36,089,500	21,804,200	14,808,900	5,500,500	78,203,100	+ 1,554,600
...	...	—577,300	+ 398,100	...	...	...	..	...	...
			...	...	—759,600	...	...	—759,600	—182,300
...	...	76,071,200	+ 454,700	...	21,044,600	...	...	77,443,500	+ 1,372,300

REVISED ESTIMATE, 1886-87.				BUDGET ESTIMATE, 1887-88.			
India.	England.	Exchange.	Total.	India.	England	Exchange.	Total.
£	£	£	£	£	£	£	£
3,328,300	1,344,000	499,200	5,171,500	2,435,900	1,355,000	503,300	4,294,200
625,500	4,000	1,500	631,000	700,000	..	...	700,000
3,953,800	1,348,000	500,700	5,802,500	3,135,900	1,355,000	503,300	4,994,200
130,300	127,500	47,400	305,200	383,700	66,300	24,600	474,600
...	4,914,500	...	4,914,500	...	...	.	...

* See foot note to statement No. 2, p. 44.

C.—*Statement of Receipts and Disbursements other than Revenue*

[£1 is recorded for every 10 rupees, in respect of

	Accounts, 1885-86.			Revised Estimate, 1886-87.			Budget Estimate, 1887-88.		
	India	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Revenue (from Statement No. 2)	74,123,574	259,074	74,382,648	75,754,200	231,600	75,985,800	77,217,700	176,800	77,394,500
Exchange added to Revenue	81,549	...	81,549	85,900	...	85,900	65,700	...	65,700
Extraordinary Receipts	4,196,399	...	4,196,399	...	...	...	...	...	...
Total	78,401,522	259,074	78,660,596	75,840,100	231,600	76,071,700	77,283,400	176,800	77,460,200
Permanent Debt incurred—									
Sterling Debt—									
3½ p. c. India Stock	...	1,086,045		...	4,914,500		...	...	
3 p. c. Stock	...	2,984,986		...	5,207,500		...	...	
Debenture and Debenture Stock	...	...		...	...		...	...	
Proposed Loan	...	...		...	...		...	...	
Rupee Debt—									
4 p. c. Rupee Loan	12	...		1,200,000	...		...	...	
Stock Notes	2,307	...		1,500	...		1,500	...	
Miscellaneous	...	...		...	...		...	...	
Proposed Loan	...	...		...	...		2,000,000	...	
Total	2,319	4,071,031	4,073,350	1,201,500	10,122,000	11,323,500	2,001,500	...	2,001,500
Net	...	...	3,584,979	...	...	9,737,700	...	...	2,000,500
Unfunded Debt—									
Temporary Loans	...	1,000,000		...	...		...	...	
Special Loans	...	...		...	...		3,500,000	...	
Treasury Notes	136,229	...		800	...		...	...	
Deposits of Service Funds	626,701	...		123,300	...		123,800	...	
Savings Bank Deposits	3,792,745	...		5,309,500	...		3,953,300	...	
Total	4,555,675	1,000,000	5,555,675	5,433,600	...	5,433,600	7,577,100	..	7,577,100
Net	...	...	0	...	...	710,600	...	...	4,213,100
Deposits and Advances—									
Balances of Provincial Allotments	731,242	...		54,800	...		...	...	
Commission for the Reduction of Debt	683,498	...		...	...		...	...	
Excluded Local Funds	829,812	...		630,500	...		632,500	...	
Political, Railway, and Military Prize Funds	56,997	...		36,600	...		37,200	..	
Departmental and Judicial Deposits	16,119,439	...		14,472,800	...		14,241,300	...	
Advances	12,249,963	3,795		6,544,600	6,800		6,252,500	70,900	
Suspense Accounts	136,031	...		21,600	...		9,300	...	
Exchange on Remittance Accounts, net	1,585,806	...		1,380,200	...		...	...	
Miscellaneous	40,588	250,285		70,700	9,800		39,100	...	
Total	32,433,376	254,080	32,687,456	23,211,800	16,600	23,228,400	21,211,900	70,900	21,282,800
Net	...	...	3,392,767	...	...	628,200	...	.	0
Carried over	115,392,892	5,584,185		105,687,000	10,370,200		108,073,900	247,700	...

and Expenditure of the Government of India, in India and in England.

transactions *in India*, including those "Exchange."] *Figures nearest to 100 in columns for Estimates.*

	Accounts, 1885-86.			Revised Estimate, 1886-87.			Budget Estimate, 1887-88.		
	India	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Expenditure, Imperial and Provincial (from Statement No. 3)	58,315,871	14,014,733	72,330,604	56,937,000	14,373,000	71,310,000	57,893,700	14,808,900	72,702,600
Exchange, charged as Expenditure	4,411,437	...	4,411,437	5,338,500	...	5,338,500	5,500,500	...	5,500,500
Add—Provincial Surpluses, transferred to "Deposits"	731,242	...	731,242	54,800	...	54,800	...	...	...
Deduct—Provincial Deficits, charged against "Deposits"	—207,360	...	—207,360	—632,100	...	—632,100	—759,600	...	—759,600
Total	63,251,190	14,014,733	77,265,923	61,698,200	14,373,000	76,071,200	62,634,600	14,808,900	77,443,500
Expenditure not charged to Revenue—									
Capital outlay on Railways and Irrigation Works	2,916,968	1,793,769		3,953,800	1,348,000		3,135,900	1,355,000	
Special Defence Works	...	...		130,300	127,500		383,700	66,300	
Capital Charge involved in Redemption of Liabilities	...	1,086,045			4,914,500		...	...	
Add—Exchange on Expenditure not charged to Revenue	564,627	...		548,100	...		527,900	...	
	3,481,595	2,879,814	6,361,409	4,632,200	6,390,000	11,022,200	4,047,500	1,421,300	5,468,800
Permanent Debt discharged—									
Sterling Debt—									
East India Bonds	...	...		...	...		...	...	
India 5 p. c. Stock	...	5,000		...	...		...	...	
India 4 p. c. Debentures	...	1,000		...	...		...	...	
India 4 p. c. Stock	...	...		...	...		...	...	
East Indian Railway Debentures	...	...		...	...		...	...	
East Indian Railway Debenture Stock	...	...		...	...		...	...	
Eastern Bengal Railway Debentures	...	200		...	409,700		...	...	
Do. Debenture Stock	...	...		...	...		...	...	
Rupee Debt—									
4½ p. c. Loans	40,000	...		...	...		...	...	
4 p. c. Loans	384,034	...		2,100	...		...	...	
Loans under discharge	10,439	...		1,130,800	...		1,000	...	
Provincial Debentures	...	...		43,200	...		...	...	
Stock Notes	47,698	...		...	...		...	...	
Miscellaneous	...	...		...	...		...	...	
Total	482,171	6,200	488,371	1,176,100	409,700	1,585,800	1,000	...	1,000
Net	...	...	0	...	...	0	...	...	0
Unfunded Debt—									
Temporary Loans	...	1,000,000		...	...		...	...	
Special Loans	16,953	...		200	...		200	...	
Treasury Notes	2,970,141	...		3,000	...		...	...	
Deposits of Service Funds	1,423,197	30,712		70,500	...		70,700	...	
Savings Bank Deposits	3,398,631	...		4,649,300	...		3,293,100	...	
Total	7,808,922	1,030,712	8,839,634	4,723,000	...	4,723,000	3,364,000	...	3,364,000
Net	...	...	3,283,959	...	...	0	...	...	0
Deposits and Advances—									
Balances of Provincial Allotments	207,360	...		632,100	...		759,600	...	
Commission for the Reduction of Debt	150	...		...	...		...	...	
Excluded Local Funds	790,247	...		666,900	...		613,800	...	
Political, Railway, and Military Prize Funds	145,093	...		46,400	...		49,600	...	
Departmental and Judicial Deposits	16,052,409	...		14,443,700	...		14,210,200	...	
Advances	11,744,659	7,453		6,686,900	8,100		6,366,800	65,000	
Suspense Accounts	73,140	...		72,600	...		59,800	...	
Exchange on Remittance Accounts net	...	...		...	...		276,500	...	
Miscellaneous	271,078	3,100		43,500	...		42,300	...	
Total	29,284,136	10,553	29,294,689	22,592,100	8,100	22,600,200	22,378,600	65,000	22,443,600
Net	...	...	0	...	...	0	...	...	1,160,800
Carried over	104,308,014	17,942,012		94,821,600	21,180,800		92,425,700	16,295,300	

C.—*Statement of Receipts and Disbursements other than Revenue*

(£1 is recorded for every 10 rupees, in respect of

	Accounts, 1885-86.			Revised Estimate, 1886-87.			Budget Estimate, 1887-88.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward	115,392,892	5,584,185		105,687,000	10,370,200		108,073,900	247,700	
Loans to Municipalities, Native States, &c.—	307,413	...	307,413	1,085,200	...	1,085,200	162,600	...	162,600
Net	...	...	102,720	...	...	72,500	...	...	
Capital Receipts from Railway Companies									
On account of Subscribed Capital	1,675	7,327,007		600	1,293,600		...	5,790,100	
Repayments	1,865,766	19,406		1,768,900	4,500		1,396,100	...	
Total	1,867,441	7,346,413	9,213,854	1,769,500	1,298,100	3,067,600	1,396,100	5,790,100	7,186,200
Net	...	...	4,150,924	...	...	0	...	...	0
Remittances—									
Inland Money Orders	9,312,382	...		10,186,800	...		11,200,000	...	
Other Local Remittances (net)	59,591	...		9,900	...		8,500	...	
Other Departmental Accounts	1,082,012	...		582,200	...		778,000	...	
Net Receipts by Civil Treasuries from—									
Post Office	927,652	...		2,193,200	...		844,400	...	
Guaranteed Railways	4,600,937	...		3,980,300	...		3,603,500	...	
Net Receipts from Civil Treasuries by—									
Telegraph	50,914	...		53,000	...		127,100	...	
Marine	429,318	...		349,000	...		265,200	...	
Military	13,589,210	...		12,701,800	...		12,769,300	...	
Public Works	5,597,820	...		6,663,600	...		5,167,200	...	
Remittance Account between England and India	1,848,840	1,070,194		2,254,300	228,400		1,193,700	153,500	
Total	37,498,676	1,070,194	38,568,870	38,975,000	228,400	39,203,400	36,016,900	153,500	36,170,400
Net	...	...	410,512	...	...	1,078,300	...	...	0
Secretary of State's Bills drawn	...	10,292,692	10,292,692	...	12,000,000	12,000,000	...	16,250,000	16,250,000
Total Receipts	155,066,422	24,293,484		147,516,700	23,896,700		145,649,500	22,441,300	
Opening Balance	12,540,532	2,249,378		12,754,478	4,726,585		13,016,578	2,077,085	
GRAND TOTAL £	167,606,954	26,542,862		160,271,178	28,623,285		158,666,078	24,518,385	

FORT WILLIAM,
DEPT. OF FINANCE AND COMMERCE;
The 26th March 1887.

E. W. KELLNER,
Deputy Comptroller General.

and Expenditure of the Govt. of India, in India and in England—continued.

transactions *in India*, including those of "Exchange."] *Figures nearest to 100 in columns for Estimates.*

	Accounts, 1885-86.			Revised Estimate, 1886-87.			Budget Estimate, 1887-88.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
	£	£	£	£	£	£	£	£	£
Brought forward	104,308,014	17,942,012	...	94,821,600	21,180,800	...	92,425,700	16,295,200	
Loans to Municipalities, Native States, &c.	204,693	...	204,693	1,012,700	...	1,012,700	839,800	...	839,800
Net	...	...	0	...	...	0	...	...	677,200
Payments to Railway Companies on Capital Account—									
For discharge of Debenture	.	285,500		...	1,417,800		...	2,017,300	
For Expenditure	2,868,054	1,909,376		3,616,200	1,678,500		3,069,300	2,755,800	
Total	2,868,054	2,194,876	5,062,930	3,616,200	3,096,300	6,712,500	3,069,300	4,773,100	7,842,400
Net	...	...	0	...	...	3,644,900	...	...	656,200
Remittances—									
Inland Money Orders	9,298,395	...		10,186,800	...		11,200,000	...	
Other Local Remittances (net)	...	...		...	...		...	...	
Other Departmental Accounts	1,072,706	...		581,700	...		778,200	...	
Net Payments into Civil Treasuries by—									
Post Office	912,521	...		2,103,200	...		844,400	...	
Guaranteed Railways	4,600,937	...		3,980,300	...		3,663,500	...	
Net Issues from Civil Treasuries to—									
Telegraph	51,060	...		53,000	...		127,100	...	
Marine	434,108	...		349,900	...		265,200	...	
Military	13,632,496	...		12,701,800	...		12,769,300	...	
Public Works	5,600,561	...		5,618,300	...		5,167,200	...	
Remittance Account between England and India	876,185	1,679,389		191,000	2,269,100		161,700	1,278,800	
Total	36,478,969	1,679,389	38,158,358	35,856,000	2,269,100	38,125,100	34,976,600	1,278,800	36,255,400
Net	...	...	0	...	...	0	...	...	85,000
Secretary of State's Bills paid	10,992,746	...	10,992,746	11,948,100	...	11,948,100	16,250,000	...	16,250,000
Total Disbursements	154,852,476	21,816,277		147,254,600	26,546,200		147,561,400	22,347,100	
Closing Balance	12,754,478	4,726,585		13,016,578	2,077,085		11,104,678	2,171,285	
GRAND TOTAL £	167,606,954	26,542,862		160,271,178	28,623,285		158,666,078	24,518,385	

E. GAY,
Offg. Comptroller General.

J. WESTLAND,
Offg. Secretary to the Government of India.

D.—*Account of Provincial and Local Savings charged to Revenue, and held at the disposal of Provincial Governments under their Provincial contracts.*

Provincial and Local Balances.

NOTE.—These balances do not include the Balances of Deposits and Advances upon Local Fund Accounts.

	India.	Central Provinces.	Burmah.	Assam.	Bengal.	N.-W. P. & Oudh.	Punjab.	Madras.	Bombay.	TOTAL.
	£	£	£	£	£	£	£	£	£	£
Accounts, 1885-86.										
Balance at end of 1884-85(a) .	8,336	348,125	30,800	77,011	302,380	655,532	297,594	612,095	527,336	2,859,209
Added in 1885-86 . . .	3,135	33,141	...	24,863	62,672	...	35,101	212,774	359,556	731,242
Spent in 1885-86 . . .	...	...	11,935	...	...	195,425	...	...	...	207,360
Balance at end of 1885-86 .	11,471	381,266	18,865	101,874	365,052	460,107	332,695	824,869	886,892	3,383,091
Revised Estimate, 1886-87.										
Balance at end of 1885-86 (by Accounts).	11,471	381,266	18,865	101,874	365,052	460,107	332,695	824,869	886,892	3,383,091
Added in 1886-87 . . .	...	...	2,100	...	...	...	...	52,700	...	54,800
Spent in 1886-87 . . .	900	159,500	...	36,700	82,200	139,900	22,400	...	190,500	632,100
Balance at end of 1886-87 .	10,571	221,766	20,965	65,174	282,852	320,207	310,295	877,569	696,392	2,805,791
Budget Estimate, 1887-88.										
Balance at end of 1886-87 (by Revised Estimate).	10,571	221,766	20,965	65,174	282,852	320,207	310,295	877,569	696,392	2,805,791
Added in 1887-88 . . .	...	...	...	...	...	...	...	...	...	...
Spent in 1887-88 . . .	200	94,900	9,100	51,200	124,100	170,000	85,600	40,800	183,700	759,600
Balance at end of 1887-88 .	10,371	126,866	11,865	13,974	158,752	150,207	224,695	836,769	512,692	2,046,191

(a) See Appropriation Report, Abstract D.

E. W. KELLNER,
Deputy Comptroller General.

E. GAY,
Offg. Comptroller General.

J. WESTLAND,
Offg. Secretary to the Government of India.

FORT WILLIAM,
DEPT. OF FINANCE AND COMMERCE;
The 26th March 1887.

E.—*Statement of Net Revenue and Expenditure—England and India.*

Net Revenue.

Rs. 10 = £1. Figures to nearest 100.

	Accounts, 1885-86.					Revised Estimate, 1886-87.					Budget Estimate, 1887-88.				
	Gross Revenue.	Refunds and Drawbacks.	Total after deducting Refunds and Drawbacks.	Charges in respect of Collection.	Net Revenue.	Gross Revenue.	Refunds and Drawbacks.	Total after deducting Refunds and Drawbacks.	Charges in respect of Collection.	Net Revenue.	Gross Revenue.	Refunds and Drawbacks.	Total after deducting Refunds and Drawbacks.	Charges in respect of Collection.	Net Revenue.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Land Revenue	22,592,371	47,772	22,544,599	3,414,292	19,130,307	22,610,500	37,800	22,572,700	3,515,600	19,057,100	22,937,600	44,600	22,893,000	3,668,800	19,224,200
Opium	8,942,515	216	8,942,299	3,057,674	5,884,625	8,898,900	200	8,898,700	2,785,300	6,113,400	8,893,300	400	8,892,900	2,506,100	6,386,800
Salt	6,345,128	27,315	6,317,813	401,618	5,916,195	6,538,600	29,500	6,509,100	483,100	6,026,000	6,604,600	28,300	6,576,300	469,100	6,107,200
Stamps	3,663,174	45,449	3,617,725	147,970	3,469,755	3,721,100	48,100	3,673,000	148,000	3,525,000	3,716,200	44,900	3,671,300	177,800	3,493,500
Excise	4,152,136	26,099	4,126,037	124,372	4,001,665	4,265,600	29,200	4,236,400	117,600	4,118,800	4,225,400	24,800	4,200,600	118,900	4,081,700
Provincial Rates	2,960,315	5,600	2,954,715	47,057	2,907,658	2,943,600	5,600	2,938,000	47,000	2,891,000	2,957,500	4,400	2,953,100	47,200	2,905,900
Customs	1,199,976	32,406	1,167,570	130,719	1,036,851	1,211,900	30,300	1,181,600	133,400	1,048,200	1,232,700	30,600	1,202,100	135,100	1,067,000
Assessed Taxes	503,034	17,763	485,271	12,471	472,800	1,348,100	24,900	1,323,200	52,700	1,270,500	1,406,000	20,700	1,385,300	33,600	1,351,700
Forest	1,086,092	2,544	1,083,548	680,988	402,560	1,138,600	2,800	1,135,800	736,000	399,800	1,130,700	2,600	1,128,100	737,600	390,500
Registration	308,006	1,007	306,999	185,406	121,593	297,900	1,000	296,900	185,400	111,500	302,700	900	301,800	186,600	115,200
Tributes from Native States	689,578	3	689,575	...	689,575	690,900	...	690,900	...	690,900	722,000	...	722,000	...	722,000
	52,442,325	206,174	52,236,151	8,202,567	44,033,584	53,665,700	209,400	53,456,300	8,204,100	45,252,200	54,128,700	202,200	53,926,500	8,080,800	45,845,700
Deduct—Assignments and Compensations	...	...	...	...	1,396,537					1,372,500					1,367,600
Total Net Revenue	...	...	...	...	42,637,047					43,879,700					44,478,100

Net Expenditure.

	Accounts, 1885-86.			Revised Estimate, 1886-87.			Budget Estimate, 1887-88.		
	Gross Expenditure.	Receipts.	Net Expenditure.	Gross Expenditure.	Receipts.	Net Expenditure.	Gross Expenditure.	Receipts.	Net Expenditure.
	£	£	£	£	£	£	£	£	£
Interest	4,330,861	698,982	3,641,873	4,307,700	680,900	3,626,800	4,412,200	686,500	3,725,700
Post Office, Telegraph & Mint	2,292,961	1,965,860	327,101	2,171,800	1,976,700	195,100	2,261,500	2,025,300	236,200
Civil Departments	12,243,689	1,427,406	10,816,283	12,650,100	1,454,200	11,195,900	13,179,700	1,425,300	11,754,400
Miscellaneous Civil Charges	4,634,598	1,077,809	3,556,789	4,723,000	831,400	3,891,600	4,856,200	1,177,000	3,679,200
Famine Relief and Insurance	1,500,000	...	1,500,000	311,900	...	311,900	94,500	...	94,500
Construction of Railways (charged against Revenue in addition to that under Famine Insurance)	632,055	...	632,055	187,900		187,900	75,000	...	75,000
Railways Revenue Account	14,415,797	13,684,084	731,719	15,700,600	14,266,900	1,433,700	16,481,900	14,892,500	1,589,400
Irrigation	2,303,747	1,588,278	715,469	2,396,400	1,594,800	801,600	2,441,300	1,688,000	753,300
Buildings and Roads	4,485,276	615,581	3,869,695	5,342,500	690,800	4,651,700	5,553,200	539,500	5,013,700
Army Services	20,097,779	963,872	19,133,907	19,070,600	910,300	18,160,300	19,197,000	897,400	18,299,600
	66,936,763	22,021,872	44,914,891	66,862,500	22,406,000	44,456,500	68,552,500	23,331,500	45,221,000
Provincial and Local Surpluses and Deficits	Surplus. +731,242	Deficit. —207,360	+523,882	Surplus. +54,800	Deficit. —632,100	—577,300	...	Deficit. —759,600	—759,600
Total Net Expenditure			45,438,773			43,879,200			44,461,400
Surplus (+) or Deficit (—)			—2,801,726			+500			+16,700
			42,637,047			43,879,700			44,478,100

FORT WILLIAM,
DEPT. OF FINANCE AND COMMERCE;
The 26th March 1887.

E. W. KELLNER,
Deputy Comptroller General.

E. GAY,
Offg. Comptroller General.

J. WESTLAND,
Offg. Secretary to the Government of India.

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